

NOTICE AND CALL OF A SPECIAL MEETING OF THE CITY COUNCIL AND
REDEVELOPMENT AGENCY OF THE CITY OF COLTON

TO THE MEMBERS OF THE CITY COUNCIL AND THE REDEVELOPMENT AGENCY FOR
THE CITY OF COLTON AND TO THE CITY CLERK:

NOTICE IS HEREBY GIVEN that a Special Meeting of the City Council and the Redevelopment Agency is hereby called pursuant to Government Code Section 54956, to be held Tuesday, July 31, 2007 from 5:00 P.M. to 7:00 P.M., in the Council Chambers of City Hall, located at 650 N. La Cadena Drive, Colton, California.

MEETING CALLED TO ORDER:

ROLL CALL:

~~~~~  
**PUBLIC COMMENT:**

**Limit 5 Minutes**

*Any person may address the City Council at this time on any subject within the jurisdiction of the City of Colton; however, any matter that requires action will be referred to Staff for investigation and report at a subsequent Council Meeting.*

*Persons desiring to submit paperwork to the City Council Members shall provide copy of any paperwork to the City Clerk for the Official Record.*

*If you challenge the City's proposed actions in court, you may be limited to raising those issues that you or someone else raised at the public hearing described in this Agenda, or in any written correspondence delivered to the City on or prior to the public hearing.*

~~~~~  
MAYOR AND COUNCIL ITEMS:

**POSSIBLE CONFLICT OF INTEREST DISCLOSURES FOR THE COUNCIL MEETING OF
JULY 31, 2007.**

2.04.030 Gift Disclosure Requirements.

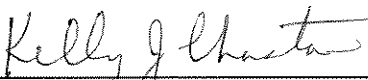
A. Prior to rendering a decision in any proceeding involving a license, permit, contract or other entitlement pending before the city council, any council member who has received been promised a gift or gifts aggregating \$50.00 or more in value within the preceding twelve months from a party or participant in the proceeding shall disclose that fact either orally or in writing during open session. This disclosure shall be made part of the official public record of the proceeding, either as part of the minutes of the meeting or as a separate writing filed with the city.

~~~~~

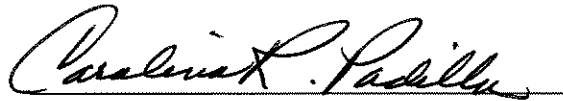
Said Special Meeting shall be for the purpose of studying and or taking action on the following matters:

1. Authorize Staff to Form a Bond Financing Team to Proceed with the Necessary Steps for the Issuance of Tax Allocation Revenue Bonds; Direct Staff to Work with Appropriate Members of the Bond Team and Agency Legal Counsel to Resolve any Pass-through (Tax Sharing Agreement) Outstanding Issues; and, Instruct Staff to Return to the Agency Board in the very near Future with Recommendations Relative to the Pursuit of a Merger for all Agency Project Areas.


DATED: 7-24-07

  
\_\_\_\_\_  
KELLY J. CHASTAIN  
Mayor

NOTICE IS HEREBY GIVEN that a Special Meeting of the City Council and Redevelopment Agency will be held on Tuesday, July 31, 2007 from 5:00 P.M. to 7:00 P.M., in the Council Chambers of City Hall located at 650 N. La Cadena Drive, Colton, California.

  
\_\_\_\_\_  
CAROLINA R. PADILLA, CMC  
City Clerk

**CITY OF COLTON**  
**AGENDA REPORT**  
**FOR SPECIAL REDEVELOPMENT AGENCY BOARD MEETING OF**  
**JULY 31, 2007**

|                 |                                                                                                                                                                                    |
|-----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>TO:</b>      | <b>HONORABLE CHAIRPERSON AND BOARD MEMBERS</b>                                                                                                                                     |
| <b>FROM:</b>    | <b>CANDACE CASSEL, ECONOMIC DEVELOPMENT DIRECTOR</b><br><b>DILU DE ALWIS, FINANCE DIRECTOR</b>  |
| <b>SUBJECT:</b> | <b>AUTHORIZATION OF FINANCING TEAM TO BEGIN PROCESS<br/>TO ISSUE TAX ALLOCATION REVENUE BONDS</b>                                                                                  |
| <b>DATE:</b>    | <b>JULY 23, 2007</b>                                                                                                                                                               |

**BACKGROUND**

On July 1, 2003, the City Council tabled the formation of the La Cadena Corridor Project Area; Council directed staff to re-evaluate the proposed project area formation and provide alternatives with respect to forming a new project area and/or adding territory to existing project areas. As part of that evaluation, staff reviewed all of the City's seven project areas to identify other issues (i.e. timeline and revenue restrictions) that should be addressed as part of this process. Given the costs and time required to create or amend a project area, review of the Agency's project areas was specifically identified as one of the Agency's Goal & Objectives and a work plan was prepared.

It was necessary to engage the services of an expert in the area of redevelopment to assist staff in this endeavor. Given its extensive expertise in redevelopment and the size and caliber of its staff, Urban Futures Inc.(UFI) was asked to review the Agency's seven project areas and provide recommendations on: 1) other project area issues that the Agency should address; 2) the possibility of merging, amending or forming a new project area; 3) the project areas' pass through agreements; and, 4) whether or not a cost savings or increase in capital for projects could be realized if the Agency's existing debt were refinanced.

**DISCUSSION/ ANALYSIS**

Urban Futures' analysis involved a review of various plan documents, limitations relative to plan lives, lifetime tax increment receipt caps (maximums), maximum allowed bonded indebtedness, tax increment receipt deadlines, the last dates for redevelopment activities to occur, and various other considerations. In addition, existing pass-through agreements were analyzed. This effort was also undertaken in consideration of legislation as related to redevelopment agencies in California. As a result, conditions of blight had to be assessed. It should be indicated that while the Agency has seven project areas, the Downtown # 1 and Downtown # 2 areas have short remaining lives, cannot demonstrate "blight" pursuant to recent legislation and do not have enough tax increment potential to warrant further analysis. Therefore, Urban Futures was instructed to not include these project areas in its review.

As a result of California legislation over the past 15 years, AB 1290, SB 211, SB 1206, sections 33354.6 and 33451.5 of the California Community Redevelopment Law (CCRL), etc. the determination of blight is a significant (and required) factor in amending many key provisions of a project area's plan. An exception is the elimination of the debt incurrence deadline, pursuant to SB 211, which can be eliminated by City Council adopting an ordinance. However, adoption of any such ordinance does trigger statutory pass-through payments to other taxing entities not already covered by a tax sharing agreement. The other amendments (increasing the lifetime tax increment cap, adding territory, merging project areas, etc.) require a long form process which involves not only the significant blight findings but public hearings and opportunities for opposition to such amendments by concerned parties. Without material blight findings, it is nearly impossible to amend project areas in any substantial manner.

The Rancho/Mill and Mount Vernon Corridor (Mt. Vernon) Project Areas do not contain plan limitations which significantly inhibit the Agency's ability to finance objectives for those project areas. Because the Mt. Vernon Project Area has significant new money financing and refunding opportunities, an SB 211 amendment to eliminate the existing debt incurrence deadline of June 30, 2007 is highly advisable. Rancho/Mill has a debt incurrence deadline of July 5, 2014, and no related amendment is necessary at this time.

The Cooley Ranch Project Area's tax increment receipt deadline is July 29, 2026. As a result, any new bonded indebtedness must be confined to an approximate 19 year term. While a 30 or 40 year term would be more desirable, the Agency can still finance more improvements/projects in this project area with a 19 year term. Based upon a 3% growth assumptions used by Urban Futures in projecting future tax increment, the existing lifetime increment cap of \$150 million is adequate. However, growth exceeding that level will cause the Project Area to meet its cap before 2026. The project area, in the opinion of Urban Futures, does not exhibit remaining blight in a sufficient manner to comply with the various legal provisions to permit amendments to the tax increment receipt deadline and the lifetime increment cap. Because the Cooley Ranch Project Area has significant new money financing and potential refunding opportunities, an SB 211 amendment to eliminate the existing debt incurrence deadline of January 1, 2004 is highly advisable.

The West Valley Original and Amendment Project Areas have a combined lifetime tax increment cap of \$136 million. While it appears that this limit will be sufficient, it can only accommodate average annual growth of 6%. If the average annual growth exceeds 6%, the cap will be met prior to the end of its tax increment receipt deadlines of July 15, 2037 (Original Area) and June 30, 2038 (Amendment Area). Because of the significant growth potential for this project area, in light of potential development opportunities relative to resolution of the Delhi Sands Flower Loving Fly (DSF) issue, it may be advisable to amend the Project Area to increase the lifetime increment cap. In Urban Futures' opinion, significant blight is present in the project area to warrant such amendment. However, given the time and cost of an amendment, staff does not recommend proceeding in that direction until acceptable agreements are signed relative to the DSF issue.

The Santa Ana River Project Area is highly problematic and challenging relative to its lifetime increment cap of \$60 million. It has a debt incurrence deadline of December 29, 1997 and is also a candidate for an SB 211 short form amendment by ordinance. Because of the inhibiting nature of the lifetime increment cap, it is unlikely that any new debt can be issued. In Urban Futures opinion, this project area does not show evidence of blight in a sufficient manner to justify a long form amendment process to increase the lifetime increment cap.

A possible solution for the project areas with plan limitations which need amendments (Cooley Ranch tax increment receipt deadline, West Valley lifetime increment cap, and Santa Ana River lifetime increment cap) would be a merger of all project areas. Further analysis by the Agency's legal counsel is necessary before any such effort should be undertaken. If a merger were effectuated, additional bonding capacity of approximately \$11 to \$13 million should be generated. It is not precisely known at this time if the additional bonds could be issued and placed in escrow, subject to a merger, or if an additional bond issue would be necessary upon merger completion to realize the desired additional funds.

It should also be emphasized that the applications of various changes to redevelopment law are complex, and some types of amendments, depending on the legal section involved, trigger not only additional pass-through payments (this does not appear to be a significant issue for the Agency) but additional housing set-aside requirements as well.

There are significant concerns relative to the methodology used for pass-through payments to some of the taxing agencies. This matter relates to the manner in which the override to one agency is handled. Furthermore the calculations and payments to another entity from the Santa Ana River project area may also be overstated.

#### *Financing Capacity and Considerations*

Because of the problematic lifetime increment cap of \$60 million in the Santa Ana River Project Area, and the resultant likelihood that increment will not be received beyond Fiscal Year 2014-15, no additional new money debt is recommended for that project area at this time. Furthermore, the Agency is encouraged to instruct its bond financing team to explore a mechanism (refunding at lower interest rates with a shorter term, etc.) that facilitates retirement of existing bonded indebtedness over the next 7 to 9 years. This effort should be initiated regardless of any Agency decision to effectuate a merger of all project areas with a hopeful result of increasing the lifetime increment caps for affected project areas. If a merger is successfully accomplished in the future, the debt can be restructured at that time, but the Agency should not wait for such merger to occur. A plan must be implemented now to recognize the probability that tax increment will cease before existing debt is retired.

Following is a table which reflects the estimated new bond proceeds and bonds eligible for refunding (refinance):

| Project Area    | Without Merger |           |           | With Merger  |           |           |
|-----------------|----------------|-----------|-----------|--------------|-----------|-----------|
|                 | New Proceeds   | Refunding | Total     | New Proceeds | Refunding | Total     |
| Cooley Ranch    | 14.2 Mill      | 17 Mill   | 31.2 Mill | 22.2 Mill    | 17 Mill   | 39.2 Mill |
| Mt. Vernon      | 3.5 Mill       | 5 Mill    | 8.5 Mill  | 4.5 Mill     | 5 Mill    | 9.5 Mill  |
| Rancho Mill     | 2.6 Mill       | 0         | 2.6 Mill  | 2.6 Mill     | 0         | 2.6 Mill  |
| Santa Ana River | 0              | 11 Mill   | 11.0 Mill | 2.0 Mill     | 11 Mill   | 13.0 Mill |
| West Valley     | 0              | 1.3 Mill  | 1.3 Mill  | 0            | 1.3 Mill  | 1.3 Mill  |
| Totals          | 20.3 Mill      | 34.3 Mill | 54.6 Mill | 31.3 Mill    | 34.3 Mill | 65.6 Mill |

In order to begin the process of issuing bonds, formal selection of the financing team should occur. Because of their extensive redevelopment and financial advisory experience, staff

recommends Urban Futures as the Financial Advisor. Based upon an informal proposal process, staff recommends Nosserman, Guthner, and Knox as Disclosure Counsel and Best, Best, and Krieger as Bond Counsel. Both of these firms have extensive redevelopment experience as well as experience with debt issuance for the City of Colton and proposed fees at the lower end of the ranges received.

For the bond underwriter, staff recommends a co-managed approach, given the size and complexity of the intended bond issue. Because of their redevelopment experience, significant firm size, and ability to work with clients similar to the City of Colton, Piper Jaffray is recommended as the senior manager and will get 100% of the bonds to sell up to the first \$40 million. After that amount is reached, they will retain approximately 50% of the excess for sale with two co-managers each getting a 25% allocation. Piper Jaffray has also provided excellent service to the City and Agency in the past. The recommended co-managers are De La Rosa & Company and M.L. Stern & Co., LLC. In the case of De La Rosa, they too have extensive redevelopment bond experience and have done an excellent work for the City of Colton in its issuance of pension obligation bonds. The other co-manager recommended is M.L. Stern & Co., LLC. Their retail sales desk has an excellent reputation and does a very good job in selling bonds. Their role is particularly useful for the sale of serial bonds. The lead underwriters for M.L. Stern & Co., LLC also have significant experience in bond sizing techniques and redevelopment finance.

Staff will work with Urban Futures to assure competitive costs of issuance at the lowest reasonable cost for all team members and will perform pricing analysis upon the bond pricing date to attest to the fairness of the resultant interest rates in light of market conditions. The qualifications of each of the financing team are attached to this report.

## **ENVIRONMENTAL IMPACT**

The proposed issuance of tax allocation bonds does not constitute a project or trigger other applicability to the California Environmental Quality Act (CEQA). There is no environmental impact as a result of this proposed transaction.

## **CONFLICT OF INTEREST**

|                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                            |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b><u>Disclosure Counsel</u></b><br>Nosserman, Guthner, Knox & Elliot, LLP<br>Contact - Jeff Stava – Partner                                                                                                       | <b><u>Bond Counsel</u></b><br>Best, Best & Krieger<br>Contact – Francis Baum – Partner                                                                                                                                                                                                                     |
| <b><u>Fiscal Consultant</u></b><br>Urban Futures Inc.<br>Contact – Marshal Lin – President<br>Contact - Doug Anderson – Vice President<br>Contact – Al Holliman – Principal<br>Contact – Steven Dukett - Principal | <b><u>Underwriters</u></b><br>Piper Jaffray (Sr. Manager)<br>Contact – Richard Kiss – Partner<br>Contact – Mathew Challis – Vice President<br><br>De La Rosa & Co (Co-Manager)<br>Contact - Ralph Holmes – Partner<br><br>M.L. Stern & Co., LLC (Co-Manager)<br>Contact - Todd Smith, First Vice President |

## **FISCAL IMPACT**

The recommended issuance of tax allocation revenue bonds will have no budgetary impact on the City's general fund. The Agency has available excess tax increment revenues to pay debt service on the new bonds. The net bond new proceeds are expected to approximate \$20 million. After deducting required debt service reserves and costs of issuance, the resultant funds available for capital projects will be approximately \$18 million (without a merger).

## **RECOMMENDATIONS**

1. Authorize staff to form a bond financing team consisting of Urban Futures, Inc. as Financial Advisor, Nossaman, Guthner, and Knox as Disclosure Counsel, Best, Best, and Krieger as Bond Counsel, and an underwriting team of Piper Jaffray as Senior Manager, E.J. De La Rosa & Co. as Co-manager, and M.L. Stern & Co., LLC as Co-manager and to proceed with the necessary steps for the issuance of Tax Allocation Revenue Bonds.
2. Direct staff to work with the appropriate members of the bond team and Agency legal counsel to resolve any pass-through (tax sharing agreement) outstanding issues.
3. Instruct staff to return to the Agency Board in the very near future with recommendations relative to the pursuit of a merger or any other restructuring for all Agency project areas.

### **REVIEW TEAM ONLY**

City Attorney:

M. Martinez / [Signature]

Finance Director:

AT for Dela

City Manager:

[Signature]

OTHER:

\_\_\_\_\_

LAW OFFICES  
**NOSSAMAN, GUTHNER, KNOX & ELLIOTT, LLP**

18101 VON KARMAN AVENUE, SUITE 1800  
IRVINE, CALIFORNIA 92612-0177  
(949) 833-7800 TEL (949) 833-7878 FAX  
www.nossaman.com

JEFF A. STAVA  
(949) 477-7632  
EMAIL jstava@nossaman.com

REFER TO FILE #  
311111 - 0111

July 25, 2007

**VIA EMAIL AND U.S. MAIL**

Mr. Dilu Dealwis  
Finance Director  
City of Colton  
650 North La Cadena Drive  
Colton, CA 92324

Re: Colton RDA Statement of Qualifications

Dear Dilu:

In connection with the proposed financing by the Redevelopment Agency for the City of Colton (the "Agency"). I am pleased to submit this Statement of Qualifications to serve as Disclosure Counsel. Nossaman is a nationally recognized bond counsel firm, listed in the Directory of Municipal Bond Dealers. The Firm also has a rating of A-V from Martindale Hubbell. Nossaman has approximately 135 partners and associates in four offices in California, including San Francisco, Sacramento, Los Angeles and Irvine, as well as an additional offices in Arlington, Virginia, Seattle, Washington and Austin, Texas which support its infrastructure, legislative and lobbying efforts.

The attorneys who comprise the Public Finance Department make the firm's commitment to public finance different from that of other law firms. I will be the public finance partner at Nossaman who will be involved in the Agency's transaction, and have over 24 years experience in the municipal finance field. Except where otherwise noted herein, I have been the primary attorney on the transactions referred to in this Statement.

I serve as bond counsel for the Redevelopment Agency of the City of San Diego in connection with the issuance of parking revenue bonds and tax allocation bonds in its Centre City, Horton, North Park and North Bay Redevelopment Project Arcas, including a transaction to securitize tax receipts from the new Padres stadium. I also serve as bond counsel for the Redevelopment Agency of the City of Redwood City and for the Grover Beach Improvement Agency. I have worked as underwriter or disclosure counsel for redevelopment financings for the cities of Fullerton, El Monte, Taft, California City, Rancho Mirage, Imperial, Signal Hill, Yorba Linda, Pomona, Desert Hot Springs, Palm Desert, Rancho Cucamonga, Poway, Fontana, Riverside, Monterey Park, Orange Cove, Firebaugh and Barstow, and the County of Riverside.

276415\_1.DOC



NOSSAMAN, GUTHNER, KNOX & ELLIOTT, LLP

Dilu Dealwis

July 25, 2007

Page 2

Certain of these financings included Marks-Roos structures, multiple project areas, taxable series, senior/subordinate structures, parking revenue pledges and utilization of the low and moderate income housing funds. A complete listing of redevelopment agency financings in which I have been involved since January 1, 2005 is attached as Exhibit A.

Thank you for the opportunity to submit this proposal, and if I can provide any further information, please contact me at (949) 477-7632. I look forward to an opportunity to work with you again.

Very truly yours,

A handwritten signature in dark ink, appearing to read 'Jeff A. Stava', with a long horizontal flourish extending to the right.

Jeff A. Stava  
of NOSSAMAN, GUTHNER, KNOX & ELLIOTT,  
LLP

**APPENDIX A**  
**Nossaman, Guthner, Knox & Elliott, LLP**  
**Redevelopment Financings Since 2005**  
**(Jeff Stava Transactions)**

\* BC = Bond Counsel; UC = Underwriter Counsel; DC = Disclosure Counsel; UC/DC = Underwriter Counsel (and prepared disclosure document)

| Name of Issue                                                                                                                      | Principal Amount | Closing Date   | Services* |
|------------------------------------------------------------------------------------------------------------------------------------|------------------|----------------|-----------|
| Fontana Public Financing Authority Tax Allocation Revenue Bonds (North Fontana Redevelopment Project) 2005 Series A                | \$134,965,000    | February 2005  | DC        |
| Redevelopment Agency for the County of Riverside 2005 Tax Allocation Housing Refunding Bonds, Series A                             | \$18,245,000     | April 2005     | UC        |
| Yorba Linda Redevelopment Agency Yorba Linda Redevelopment Project Taxable Tax Allocation Bonds (Subordinate Lien), 2005 Series A  | \$9,855,000      | April 2005     | UC        |
| Yorba Linda Redevelopment Agency Yorba Linda Redevelopment Project Tax Allocation Bonds (Subordinate Lien), 2005 Series B          | \$3,145,000      | April 2005     | UC        |
| City of Rancho Mirage Joint Powers Financing Authority Lease Revenue Bonds, Series 2005A (Public Facilities Project)               | \$5,925,000      | May 2005       | DC        |
| Riverside County Public Financing Authority 2005 Tax Allocation Revenue Bonds (County of Riverside Redevelopment Projects)         | \$144,075,000    | September 2005 | UC        |
| Redevelopment Agency of the City of Firebaugh, Firebaugh Redevelopment Project, Tax Allocation Bonds 2005 Series A                 | \$3,770,000      | November 2005  | DC        |
| Redevelopment Agency of the City of Firebaugh, Firebaugh Redevelopment Project, Taxable Tax Allocation Bonds 2005 Series B         | \$3,450,000      | November 2005  | DC        |
| City of Fullerton Public Financing Authority 2005 Tax Allocation Revenue Bonds                                                     | \$74,600,000     | December 2005  | DC        |
| Grover Beach Improvement Agency Grover Beach Improvement Project Tax Allocation Bonds, Series 2005                                 | \$4,390,000      | December 2005  | BC        |
| Rancho Mirage Redevelopment Agency Merged Redevelopment Project Tax Allocation Refunding Bonds, Series 2006A (Whitewater Sub-Area) | \$24,910,000     | May 2006       | DC        |

| Name of Issue                                                                                                                        | Principal Amount | Closing Date   | Services * |
|--------------------------------------------------------------------------------------------------------------------------------------|------------------|----------------|------------|
| Rancho Mirage Redevelopment Agency Merged Redevelopment Project Tax Allocation Refunding Bonds, Series 2006A (Northside Sub-Area)    | \$24,210,000     | May 2006       | DC         |
| Redevelopment Agency of the City of San Diego Centre City Redevelopment Project Subordinate Tax Allocation Bonds, Series 2006A       | \$76,2250,000    | June 2006      | BC         |
| Redevelopment Agency of the City of San Diego Centre City Redevelopment Project Tax Allocation Housing Bonds, Series 2006B (Taxable) | \$33,760,000     | June 2006      | BC         |
| Redevelopment Agency of the City of Imperial City of Imperial Redevelopment Project Subordinate Tax Allocation Notes, Issue of 2006  | \$10,750,000     | June 2006      | UC         |
| Palm Desert Financing Authority Tax Allocation Refunding Revenue Bonds (Project Area No. 2) 2006 Series A                            | \$41,340,000     | July 2006      | UC         |
| Palm Desert Financing Authority Tax Allocation Revenue Capital Appreciation Bonds (Project Area No. 2) 2006 Series B                 | \$1,567,117.95   | July 2006      | UC         |
| Palm Desert Financing Authority Tax Allocation Revenue Bonds (Project Area No. 2) 2006 Series C                                      | \$7,775,000      | July 2006      | UC         |
| Palm Desert Financing Authority Subordinate Tax Allocation Revenue Capital Appreciation Bonds (Project Area No. 2) 2006 Series D     | \$16,936,094.60  | July 2006      | UC         |
| Palm Desert Financing Authority Tax Allocation Revenue Bonds (Project Area No. 3) 2006 Series A                                      | \$11,915,000     | July 2006      | UC         |
| Palm Desert Financing Authority Tax Allocation Revenue Capital Appreciation Bonds (Project Area No. 3) 2006 Series B                 | \$383,659.75     | July 2006      | UC         |
| Palm Desert Financing Authority Subordinate Tax Allocation Revenue Capital Appreciation Bonds (Project Area No. 3) 2006 Series C     | \$2,760,866.35   | July 2006      | UC         |
| Redevelopment Agency of the City of Desert Hot Springs Merged Redevelopment Project Tax Allocation Refunding Bonds, Series 2006      | \$7,025,000      | August 2006    | DC         |
| Signal Hill Redevelopment Agency, Signal Hill Redevelopment Project No. 1 2006 Taxable Tax Allocation Parity Bonds, Series A         | \$13,500,000     | September 2006 | UC         |

| Name of Issue                                                                                                                                                                           | Principal Amount | Closing Date  | Services* |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|---------------|-----------|
| Riverside County Public Financing Authority 2006 Series A Tax Allocation Revenue Bonds (Jurupa Valley, Desert Communities and Interstate 215 Projects)                                  | \$169,720,000    | November 2006 | UC        |
| Pomona Public Financing Authority 2006 Revenue Bonds, Series AS (Merged Redevelopment Project)                                                                                          | \$26,305,000     | January 2007  | UC/DC     |
| Pomona Public Financing Authority 2006 Taxable Revenue Bonds, Series AT (Merged Redevelopment Project)                                                                                  | \$8,355,000      | January 2007  | UC/DC     |
| Pomona Public Financing Authority 2006 Subordinate Revenue Bonds, Series AX (Merged Redevelopment Project)                                                                              | \$25,865,000     | January 2007  | UC/DC     |
| Poway Redevelopment Agency Paguay Redevelopment Project Tax Allocation Bonds, Series 2007                                                                                               | \$24,965,000     | February 2007 | UC/DC     |
| Fontana Redevelopment Agency 2007 Tax Allocation Bonds (Sierra Corridor Commercial Redevelopment Project)                                                                               | \$41,000,000     | April 2007    | DC        |
| County of Santa Cruz Redevelopment Agency 2007 Taxable Housing Tax Allocation Refunding Bonds (Live Oak/Soquel Community Improvement Project)                                           | \$10,755,000     | May 2007      | UC        |
| Redevelopment Agency for the County of Riverside, Jurupa Valley Redevelopment Project Area, 2007 Tax Allocation Refunding Bonds                                                         | \$89,990,000     | May 2007      | UC        |
| The Community Redevelopment Agency of the City of Los Angeles, California Adelante Eastside Redevelopment Project 2007 Tax Allocation Bonds, Series C - Taxable                         | \$10,040,000     | June 2007     | DC        |
| The Community Redevelopment Agency of the City of Los Angeles, California Exposition/University Park Redevelopment Project Tax Allocation Refunding Bonds, Series E (Federally Taxable) | \$5,905,000      | June 2007     | DC        |
| El Monte Public Financing Authority Senior Tax Allocation Revenue Bonds, Series 2007 (Multiple Redevelopment Project Areas Loans)                                                       | \$26,875,000     | July 2007     | UC        |
| El Monte Public Financing Authority Subordinate Tax Allocation Revenue Bonds, Series 2007 (Multiple Redevelopment Project Areas Loans)                                                  | \$3,215,000      | July 2007     | UC        |
| Pomona Public Financing Authority 2007 Subordinate Revenue Bonds, Series AW (Merged Redevelopment Project)                                                                              | \$8,375,000      | July 2007     | UC/DC     |

**PROPOSAL FOR  
BOND COUNSEL AND DISCLOSURE COUNSEL SERVICES**

**REDEVELOPMENT AGENCY FOR THE  
CITY OF COLTON**

Presented by



**BEST BEST & KRIEGER**  
ATTORNEYS AT LAW

**PROPOSAL CONTACT:**

Francis J. Baum, Esq.  
3750 University Avenue, 3<sup>rd</sup> Floor  
Riverside, CA 92501  
Phone: (951) 826-8272

**JUNE 29, 2007**



**BEST BEST & KRIEGER**  
ATTORNEYS AT LAW

June 29, 2007

SENT VIA OVERNIGHT

Redevelopment Agency for the City of Colton  
650 North La Cadena Drive  
Colton, CA 92324

Re: Proposal for Bond Counsel and Disclosure Counsel Services to  
the Redevelopment Agency for the City of Colton

Ladies and Gentlemen:

Best Best & Krieger LLP ("BB&K") is pleased to submit this response to the Request for Proposals for Bond Counsel and Disclosure Counsel Services (the "RFP") of the Redevelopment Agency for the City of Colton (the "Agency"). The RFP relates to the Agency's proposed issuance of tax allocation bonds by the Agency for the Cooley Ranch, Mount Vernon Corridor, Rancho Mill, Santa Ana River and West Valley Redevelopment Project Areas (the "Project Areas"). BB&K is uniquely positioned to assist the Agency on this financing in a timely manner and with a legal structure best suited to the needs of the Agency.

## **I. INTRODUCTION**

Our Public Finance Department has provided bond counsel and related legal services for more than twenty-five years. We have six public finance attorneys in our Riverside office and two public finance attorneys in our San Diego office. We have served as bond counsel, disclosure counsel and underwriter's counsel on numerous tax allocation financings for many California redevelopment agencies. These financings have included first-time offerings with respect to new project areas; multiple project area financings issued through Marks-Roos pooled financing structures; and low income housing financings secured in whole or in part by housing set-aside funds. Earlier this year we served as bond counsel to the Redevelopment Agency of the City of Riverside on a complex tax allocation financing for seven redevelopment project areas structured under a Marks-Roos pooled bond financing structure discussed later in this response.

Our public finance attorneys are familiar with all applicable provisions of Federal and State laws relating to tax-exempt financings including, in particular, the private activity bond provisions of the Tax Reform Act of 1986 and related Internal Revenue Service rules and regulations. We also are familiar with Federal and California securities laws, including disclosure requirements, exemptions from registration

requirements and anti-fraud provisions of the Securities Exchange Act of 1934. We also provide advice with respect to the continuing disclosure requirements of Rule 15c2-12 of the 1934 Act. We are members of the National Association of Bond Lawyers, the California Redevelopment Agencies Association and are listed in the "Red Book" as nationally recognized bond counsel.

For the Agency's proposed financings, we will assemble a team of three finance attorneys to provide prompt, professional and timely service to the Agency. I will head that team and have primary responsibility for drafting the legal documents relating to the bond issue. I am located in our Riverside office. I have been with BB&K for more than 25 years and helped to establish our Public Finance Practice Group. I have served as bond counsel on numerous tax allocation financings, including recent tax allocation financings in Riverside, Corona, Huntington Park, Shafter, Vista, San Diego and Big Bear. The second member of our finance team will be John Rottschaefer, a partner in our Riverside office, who has special expertise in the area of Federal tax law relating to municipal bonds. A third member of our team will be Kyle Snow, a public finance partner in our Riverside office who has extensive disclosure counsel experience.

As you know, we also serve as Agency Counsel to the Agency and in this capacity can provide special insight and assistance to the Agency in the proposed financing as well as analyzing and implementing the other actions contemplated by the Agency with respect to the Project Areas, such as possible plan amendments or project mergers.

## **II. METHODS AND STRATEGIC PLAN**

Upon our retention as bond counsel by the Agency, we would propose a prompt plan of action to proceed with the financing. We would meet with Agency staff and their finance team (underwriter, financial advisor and tax increment consultant) to review the redevelopment plans and any other contractual agreements relating to the Project Areas, plan limits on projects, use of tax increment, recent tax increment studies, and prior borrowings with respect to the Project Areas. We would also review the proposed uses of bond proceeds, including review of any Federal tax or California redevelopment law issues that might exist. We then would develop recommendations as to how best to resolve any of these issues. We would recommend the most efficient legal structure, and in consultation with other finance team members, we would review the possible use of bond insurance or other credit enhancement including possible alternatives to a cash funded reserve fund. We would also review parity bond tests of existing bond issues and review the possible escrowing of a portion of the bond proceeds to be released based on future growth in tax increment if such an approach is merited.

### **III. QUALIFICATIONS AND EXPERIENCE**

**Experience.** We have extensive experience and legal expertise in the area of redevelopment finance. In the past five years, we have served as bond counsel for more than 25 tax allocation financings aggregating in excess of \$350,000,000 for redevelopment agencies throughout California. These have included new money borrowings, refundings and tax-exempt and taxable housing set-aside borrowings. These financings have ranged from unrated single redevelopment project area borrowings to rated or insured multiple redevelopment project borrowings. While our finance team will be retained by the Agency to provide general bond counsel services, we also have substantial knowledge of, and experience with, redevelopment law issues that are likely to be raised by these financings. When necessary, we can also call on the resources of our redevelopment attorneys, as BB&K acts as general counsel to more than a dozen redevelopment agencies throughout California.

**Commitment.** BB&K public finance attorneys take a special pride in our commitment to our practice and our quick response to client needs, including document drafting, answers to inquiries, and above all, assistance in resolving difficult legal or structural issues with satisfactory solutions. We are particularly sensitive to legal and financial constraints the Agency might face. These include:

- use of proceeds for public and private development purposes;
- bond coverage tests;
- parameters for issuance of future parity debt;
- redemption provisions;
- the impact of redevelopment plan limits, pass-through or other revenue sharing arrangements; and
- Federal tax limitations on the use of bond proceeds.

**Bond Counsel Services.** Our bond counsel services will consist of the preparation of all required resolutions, notices, bond indentures, bond forms and other documents required in the proceedings. We will review the official statement prepared in connection with issuance and sale of the bonds, the continuing disclosure agreement and the bond purchase agreement used in connection with the negotiated sale of the bonds. We will also examine all proceedings taken in connection with the issuance of the bonds, and when bonds are issued, will deliver our opinion or opinions with respect to their validity and tax-exemption.

**Disclosure Counsel Services.** Our disclosure counsel services will consist of the preparation and review of the official statement relating to the offering of the bonds, preparation of the continuing disclosure agreement and a bond purchase agreement relating to the negotiated sale of the bonds and delivery of an opinion as disclosure counsel with respect to the official statement.

**Recent Official Statement Covers.** Attached as Exhibit A to this proposal are cover pages from a number of redevelopment financings for which we served as bond counsel or disclosure counsel. These include recent financings in Riverside, Corona, Big Bear, Shafter and San Marcos.



**Riverside RDA Pooled Financings.** Also enclosed are two official statements relating to four series of bonds recently issued by the Redevelopment Agency of the City of Riverside on which we served as bond counsel. These financings utilized a Marks-Roos pooled bond financing structure similar to that contemplated by the Agency. The Riverside RDA bond issues involved seven redevelopment project areas and included the issuance of both tax-exempt and taxable bonds in order to provide the Riverside RDA with the maximum flexibility with the use of the bond proceeds. The financings were insured and included the use of surety bonds in place of cash funded reserve funds. The financings were also structured around existing bond issues for a number of the project areas and took into account the parity bonds tests of these existing bond issues. Many of these legal and structuring issues are likely to be faced by the Agency in connection with its proposed financing for its Project Areas.

**Recent Financings.** The following is a list of recent redevelopment tax allocation financings on which we served as bond counsel. All financings were completed in a timely manner, generally being from two to four months from the date work commenced by the finance team.

## TAX ALLOCATION BONDS

| <u>ISSUER AND CONTACT</u>                                                                                        | <u>AMOUNT</u> | <u>CLOSING DATE</u> | <u>BOND ISSUE/PROJECT/BBK LEAD ATTORNEY</u>                                                                                                                                                                                                                                                                                                                     |
|------------------------------------------------------------------------------------------------------------------|---------------|---------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Riverside Public Financing Authority<br>Paul C. Sundeen, Director of Finance<br>Phone: (951) 826-5660            | \$8,340,000   | 04/10/07            | Riverside Public Financing Authority 2007 Series A Tax Allocation Revenue Bonds (Downtown/Airport Merged Redevelopment Project and Casa Blanca Redevelopment Project) (Tax-Exempt)<br>BBK Attorney - Francis Baum                                                                                                                                               |
| Riverside Public Financing Authority<br>Paul C. Sundeen, Director of Finance<br>Phone: (951) 826-5660            | \$14,850,000  | 04/10/07            | Riverside Public Financing Authority 2007 Series B Tax Allocation Revenue Bonds (Downtown/Airport Merged Redevelopment Project and Casa Blanca Redevelopment Project) (Taxable)<br>BBK Attorney - Francis Baum                                                                                                                                                  |
| Riverside Public Financing Authority<br>Paul C. Sundeen, Director of Finance<br>Phone: (951) 826-5660            | \$89,205,000  | 04/10/07            | Riverside Public Financing Authority 2007 Series C Tax Allocation Revenue Bonds (University Corridor/Sycamore Canyon Merged Redevelopment Project, Arlington Redevelopment Project, Hunter Park/Northside Redevelopment Project, Magnolia Center Redevelopment Project and La Sierra/Arlanza Redevelopment Project) (Tax-Exempt)<br>BBK Attorney - Francis Baum |
| Riverside Public Financing Authority<br>Paul C. Sundeen, Director of Finance<br>Phone: (951) 826-5660            | \$43,875,000  | 04/10/07            | Riverside Public Financing Authority 2007 Series D Tax Allocation Revenue Bonds (University Corridor/Sycamore Canyon Merged Redevelopment Project, Arlington Redevelopment Project, Hunter Park/Northside Redevelopment Project, Magnolia Center Redevelopment Project and La Sierra/Arlanza Redevelopment Project) (Taxable)<br>BBK Attorney - Francis Baum    |
| Redevelopment Agency of the City of Corona<br>Debra Foster, Finance Director<br>Phone: (951) 736-2315            | \$22,155,000  | 02/01/07            | Redevelopment Agency of the City of Corona Temescal Canyon Project Area 2007 Tax Allocation Bonds, Series A<br>BBK Attorney - Francis Baum                                                                                                                                                                                                                      |
| Shafter Community Development Agency<br>Jo Barrick,<br>Administrative Services Director<br>Phone: (661) 746-6361 | \$9,150,000   | 07/27/06            | Shafter Community Development Project Area No. 1 2006 Tax Allocation And Refunding Bonds, Series A<br>BBK Attorney - Francis Baum                                                                                                                                                                                                                               |
| Shafter Community Development Agency<br>Jo Barrick,<br>Administrative Services Director<br>Phone: (661) 746-6361 | \$6,685,000   | 07/27/06            | Shafter Community Development Project Area No. 2 2006 Tax Allocation And Refunding Bonds, Series A<br>BBK Attorney - Francis Baum                                                                                                                                                                                                                               |
| San Marcos Public Facilities Authority<br>Richard Gittings, City Manager<br>760 744-1050 X 3118                  | \$36,165,000  | 03/30/06            | San Marcos Public Facilities Authority 2006 Tax Allocation Revenue Bonds (Project Area No. 3 Financing Project), Series A<br>BBK Attorney - Francis Baum                                                                                                                                                                                                        |

|                                                                                                                             |              |          |                                                                                                                                                                         |
|-----------------------------------------------------------------------------------------------------------------------------|--------------|----------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Big Bear Lake Financing Authority<br>Kathleen Smith, Finance Director<br>Phone: (909) 866-5831                              | \$8,875,000  | 12/14/05 | 2005 Tax Allocation Refunding Revenue Bonds<br>BBK Attorney - Francis Baum                                                                                              |
| Community Development<br>Commission of the City of Vista<br>Dena Fuentes,<br>Redevelopment Manager<br>Phone: (760) 639-6190 | \$27,100,000 | 06/22/05 | 2005 Tax Allocation Refunding Bonds (Vista<br>Redevelopment Project Area)<br>BBK Attorney - Francis Baum                                                                |
| Community Development<br>Commission of the City of Vista<br>Dena Fuentes,<br>Redevelopment Manager<br>Phone: (760) 639-6190 | \$2,500,000  | 06/22/05 | Housing Set-Aside Tax Allocation Bonds<br>(Vista Hidden Valley Apartments Project)<br>2005 Series A<br>BBK Attorney - Francis Baum                                      |
| Redevelopment Agency of the City of<br>San Jacinto<br>Bernie Simon, Finance Director<br>Phone: (951) 654-7337               | \$9,430,000  | 05/27/05 | San Jacinto Redevelopment Project Tax<br>Allocation Bonds, Series 2005<br>BBK Attorney - Kim Byrens                                                                     |
| Yorba Linda Redevelopment Agency<br>Susan L. Hartman,<br>Finance Director<br>Phone: (714) 961-7140                          | \$9,855,000  | 04/12/05 | Yorba Linda Redevelopment Project<br>Taxable Tax Allocation Bonds (Subordinate<br>Lien), 2005 Series A<br>BBK Attorney - Kim Byrens                                     |
| Yorba Linda Redevelopment Agency<br>Susan L. Hartman,<br>Finance Director<br>Phone: (714) 961-7140                          | \$3,145,000  | 04/12/05 | Yorba Linda Redevelopment Project Tax<br>Allocation Bonds (Subordinate Lien), 2005<br>Series B<br>BBK Attorney - Kim Byrens                                             |
| Redevelopment Agency of the City of<br>Azusa<br>Joseph Hsu, Director of Utilities<br>Phone: 626-812-5219                    | \$9,855,000  | 02/24/05 | Amended and Restated Merged Central<br>Business District and West End<br>Redevelopment Project Area Tax Allocation<br>Bonds, 2005 Series A<br>BBK Attorney - Kim Byrens |
| Redevelopment Agency of the City of<br>Riverside<br>Paul C. Sundeen, Treasurer<br>Phone: (951) 826-5660                     | \$24,115,000 | 11/30/04 | Housing Set-Aide Tax Allocation Bonds,<br>2004 Series A<br>BBK Attorney - Francis Baum                                                                                  |
| Westminster Redevelopment Agency<br>Vangie Schock, Executive Director<br>Phone: (714) 898-3311                              | \$3,100,000  | 09/29/04 | Westminster Commercial Redevelopment<br>Project Area No. A 2004 Subordinate Tax<br>Allocation Notes, Series B<br>BBK Attorney - John Rottschaefer                       |
| Redevelopment Agency of the City of<br>Corona<br>Debra A. Foster,<br>Finance Director<br>Phone: (951) 736-2315              | \$36,910,000 | 07/29/04 | Merged Downtown and Amended Project<br>Area "A" 2004 Tax Allocation Refunding<br>Bonds, Series A<br>BBK Attorney - Kim Byrens                                           |
| Colton Public Financing Authority<br>Dilu De Alwis, Finance Director<br>Phone: (909) 370-5171                               | \$6,980,000  | 07/07/04 | Subordinate Tax Allocation Revenue Bonds,<br>2004 Series A (Redevelopment Agency for<br>the City of Colton Refunding Housing Loan)<br>BBK Attorney - Francis Baum       |

|                                                                                                                                |               |          |                                                                                                                                                                            |
|--------------------------------------------------------------------------------------------------------------------------------|---------------|----------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Westminster Redevelopment Agency<br>Vangie Schock, Executive Director<br>Phone: (714) 898-3311                                 | \$5,900,000   | 05/06/04 | Westminster Commercial Redevelopment<br>Project Area No. A 2004 Subordinate Tax<br>Allocation Notes<br>BBK Attorney - John Rottschaefer                                    |
| Redevelopment Agency of the City of<br>Riverside<br>Paul C. Sundeen, Treasurer<br>Phone: (951) 826-5660                        | \$4,550,000   | 04/20/04 | Arlington Redevelopment Project 2004 Tax<br>Allocation Bonds, Series A (Tax-Exempt)<br>BBK Attorney - Francis Baum                                                         |
| Redevelopment Agency of the City of<br>Riverside<br>Paul C. Sundeen, Treasurer<br>Phone: (951) 826-5660                        | \$2,975,000   | 04/20/04 | Arlington Redevelopment Project 2004 Tax<br>Allocation Bonds, Series B (Taxable)<br>BBK Attorney - Francis Baum                                                            |
| Rancho Cucamonga<br>Redevelopment Agency<br>Linda Daniels,<br>Redevelopment, Director<br>Phone: (909) 477-2700                 | \$165,680,000 | 03/31/04 | Rancho Redevelopment Project 2004 Tax<br>Allocation Bonds<br>BBK Attorney - John Rottschaefer                                                                              |
| Redevelopment Agency of the City of<br>Azusa<br>Joseph Hsu, Director of Utilities<br>Phone: 626-812-5219                       | \$11,580,000  | 12/30/03 | Amended and Restated Central Business<br>District and West End Redevelopment<br>Project Area Tax Allocation Refunding<br>Bonds, 2003 Series A<br>BBK Attorney - Kim Byrens |
| Redevelopment Agency of the City of<br>San Diego<br>Elaine DuVal<br>Redevelopment Finance Specialist<br>Phone: (619) 533-5429  | \$7,145,000   | 12/17/03 | North Park Redevelopment Project 2003<br>Housing Set-Aside Tax Allocation Bonds,<br>Series A (Taxable)<br>BBK Attorney - Francis Baum                                      |
| Redevelopment Agency of the City of<br>San Diego<br>Elaine DuVal,<br>Redevelopment Finance Specialist<br>Phone: (619) 533-5429 | \$5,360,000   | 12/17/03 | North Park Redevelopment Project 2003<br>Housing Set-Aside Tax Allocation Bonds,<br>Series B (Tax-Exempt)<br>BBK Attorney - Francis Baum                                   |
| Redevelopment Agency of the City of<br>San Diego<br>Elaine DuVal,<br>Redevelopment Finance Specialist<br>Phone: (619) 533-5429 | \$4,955,000   | 12/17/03 | City Heights Redevelopment Project 2003<br>Housing Set-Aside Tax Allocation Bonds,<br>Series A (Taxable)<br>BBK Attorney - Francis Baum                                    |
| Redevelopment Agency of the City of<br>San Diego<br>Elaine DuVal,<br>Redevelopment Finance Specialist<br>Phone: (619) 533-5429 | \$ 865,000    | 12/17/03 | City Heights Redevelopment Project 2003<br>Housing Set-Aside Tax Allocation Bonds,<br>Series B (Tax-Exempt)<br>BBK Attorney - Francis Baum                                 |
| Redevelopment Agency of the City of<br>Redlands<br>Tina T. Kundig, Finance Officer<br>Phone: (909) 798-7520                    | \$17,300,000  | 11/25/03 | Redlands Redevelopment Project Area Tax<br>Allocation Bonds, Series 2003A<br>BBK Attorney - John Rottschaefer                                                              |

#### **IV. LIST OF PROJECT COUNSEL**

Our finance team will be headed by Francis J. Baum, a public finance partner in our Riverside office. He will be responsible for all day-to-day work of the BB&K finance team, including the preparation of bond documents. The team also will include John R. Rottschaefer, another public finance partner in our Riverside office, who will have responsibility for federal tax matters. The other member of the BB&K team will be Kyle A. Snow, a public finance partner in our Riverside office, who will provide assistance as required on the financings, including response to any short-term requests by Agency staff, and who also has substantial disclosure counsel experience. The same team of attorneys will be involved in the event we are selected as disclosure counsel.

Further information on our finance team members and on BB&K can be found at our website - "[www.bbklaw.com](http://www.bbklaw.com)."

The following are resumes for the BB&K finance team members, including a discussion of recent bond transactions that are relevant to the Agency's proposed financings.

**Francis J. Baum:** Mr. Baum helped establish the BB&K Public Finance Department. He has worked as lead bond counsel, underwriter's counsel or disclosure counsel on numerous tax allocation financings. He also has served as finance counsel on Marks-Roos joint powers authority revenue bonds, certificates of participation, single family and multifamily mortgage revenue bonds, tax allocation bonds, nonprofit corporation financings and industrial development bonds. He is a member of the National Association of Bond Lawyers and the California Redevelopment Agencies Association. Mr. Baum graduated from the University of California at Santa Barbara in 1971 and received a Masters Degree from the University of California at Los Angeles in 1973. He graduated from the University of California at Los Angeles School of Law in 1977. He has been with Best Best & Krieger LLP since 1978 and has been a partner since 1984.

Mr. Baum has served as bond counsel on recent tax allocation financings for the Redevelopment Agency of the City of Riverside, the Redevelopment Agency of the City of Corona, the Redevelopment Agency of the City of Shafter, the Redevelopment Agency of the City of San Diego, the Big Bear City Improvement Agency and the Community Development Commission of the City of Vista. Most recently, Mr. Baum served as Bond Counsel to the Redevelopment Agency of the City of Riverside on two bond issues that each included tax-exempt and taxable bonds issued by the Riverside Public Financing Authority under a Marks-Roos pooled bond financing structure for seven redevelopment project areas. Mr. Baum also served as bond counsel on a Corona tax allocation bond issue earlier this year that included an escrow structure to allow for the release of bond proceeds based in the future growth in tax increment. Mr. Baum also served as bond counsel on Vista tax allocation bond issues in 2001, 1998 and 1995. Mr. Baum served as bond counsel to the Redevelopment Agency of the City of Riverside on tax allocation financings for housing set-aside purposes and for the Arlington Redevelopment Project Area that closed in 2004. Mr. Baum was also lead counsel on financings for the San Diego Redevelopment Agency for the North Park Redevelopment Project and the City Heights Redevelopment Project that closed in

2003. He also served as bond counsel to the Redevelopment Agency for the City of Colton on a pooled tax allocation financing that closed in 2003 and a tax allocation-backed revenue bond refunding issue for the City of Huntington Park that closed in 2003.

Mr. Baum has significant experience with respect to Marks-Roos pooled revenue bond financings, including redevelopment housing set-aside financings, 501(c)(3) nonprofit housing financings and single family and multifamily financings.

**John R. Rottschaefer:** Mr. Rottschaefer graduated from the University of California at Riverside in 1981, and Boalt Hall School of Law, University of California, in 1984. He has been with Best Best & Krieger LLP since 1984 and has been a partner since 1991. He specializes in federal tax matters with respect to municipal bonds and enjoys a well established reputation throughout California in this highly specialized field. He has provided technical advice with respect to derivative financial products, including forward purchases, swaps, sales of call rights and other unique financing methods. Mr. Rottschaefer has also acted as bond counsel. Among other things, he has acted as lead bond counsel to the State of California on a number of complex solid waste-to-energy financing projects. He actively participates in the structuring of bond transactions and reviews the various tax issues relating to bond issues on which we serve as bond counsel. He is a member of the National Association of Bond Lawyers.

In addition to providing tax advice, Mr. Rottschaefer served as bond counsel on tax allocation financings by the Rancho Cucamonga Redevelopment Agency in 2003 and 2001 and tax allocation financings in the City of Orange and the City of Westminster.

**Kyle A Snow** has worked as bond counsel on financings involving tax allocation bonds, certificates of participation, multifamily mortgage revenue bonds, Marks-Roos Joint Financing Authority revenue bonds and assessment bonds. He also has a wide range of experience in disclosure counsel work, including tax allocation financings in San Marcos, Rancho Cucamonga and Shafter. He is a member of the California State Bar Association and the National Association of Bond Lawyers. Mr. Snow is also a member of GFOA. Mr. Snow graduated from Weber State College in 1986 and received his Juris Doctor degree from the University of Washington School of Law in 1989. He has been with BB&K since 1989. Mr. Snow has been involved in numerous discussions with and presentations to rating insurers and bond insurers in San Francisco and New York.

## V. REFERENCES

References for BB&K are as follows:

- |                                                                                                                                          |                                                                                                                                                      |
|------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|
| (a) <b>Paul Sundeen</b><br>Finance Director<br>City of Riverside<br>3900 Main Street, 6th Floor<br>Riverside, CA 92522<br>(951) 826-5660 | (b) <b>Paul Malone</b><br>City Manager<br>City of San Marcos<br>1 Civic Center Drive<br>San Marcos, CA 92069<br>(760) 744-4020, Ext 3118             |
| (c) <b>Debra Foster</b><br>Finance Director<br>City of Corona<br>400 South Vicentia Avenue<br>Corona, CA 92882<br>(951) 736-2315         | (d) <b>Donald Pruyn</b><br>Finance Director<br>City of Huntington Park<br>6550 Miles Avenue, Room 116<br>Huntington Park, CA 90255<br>(323) 584-6261 |

## VII. SCHEDULE OF FEES FOR BOND COUNSEL SERVICES

We would propose to provide bond counsel services based on the following schedule:

| <u>Principal Amount</u>      | <u>Fee</u>                                  |
|------------------------------|---------------------------------------------|
| \$10,000,000 or less         | \$27,500 plus                               |
| \$10,000,000 to \$20,000,000 | 0.15% of the excess over \$10,000,000; plus |
| \$20,000,000 to \$40,000,000 | 0.10% of the excess over \$20,000,000; plus |
| \$40,000,000 or more         | 0.05% of the excess over \$40,000,000       |

Our fees as bond counsel would be payable from proceeds of the bonds upon their issuance and no fees would be payable if bonds were not issued. In addition to the above bond counsel fees, we will be reimbursed for out-of-pocket expenses incurred by us on behalf of the Agency, such as long distance telephone calls, messenger and courier services, travel at the request of appropriate officials, duplicating and the like. We would expect these expenses (not including any travel for meetings with rating agencies or bond insurers out of the area) not to exceed \$3,000. To the extent additional services were requested of us, we would provide such services at the usual hourly rates of our attorneys providing such services.

## VII. SCHEDULE OF FEES FOR DISCLOSURE COUNSEL SERVICES

Our fees for disclosure counsel services would be an amount equal to sixty percent of our fees set forth above for bond counsel services. These fees would be payable from proceeds of the bonds upon their issuance. We would also expect to be reimbursed for our expenses as disclosure counsel, which we would expect not to exceed \$2,000.

## CONCLUSION

Best Best & Krieger LLP would be pleased to act as Bond Counsel or Disclosure Counsel for the Redevelopment Agency for the City of Colton. We believe we have special expertise that will be of significant value to the Agency, and hope you will select BB&K as your Bond Counsel or Disclosure Counsel.

Thank you for considering BB&K to provide these services. If you require any additional information, please feel free to contact me at (951) 826-8274 or by email to [Francis.Baum@BBKlaw.com](mailto:Francis.Baum@BBKlaw.com).

Respectfully submitted,  
BEST BEST & KRIEGER LLP  
By:

A handwritten signature in black ink, appearing to read "Francis J. Baum", written over a horizontal line.

Francis J. Baum  
Partner



EXHIBIT A  
COVER PAGES OF OFFICIAL STATEMENTS

**NEW ISSUE**

**INSURED RATINGS:** Fitch: "AAA"  
**BOOK ENTRY ONLY S&P:** "AAA"  
**UNINSURED RATINGS:** Fitch: "A-"  
S&P: "A-"

*In the opinion of Best Best & Krieger LLP, Riverside, California, Bond Counsel, subject, however, to certain qualifications described herein, under existing law, the interest on the Series A Bonds is excluded from gross income for federal income tax purposes, and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although, for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. Interest on the Series B Bonds is not excluded from gross income for federal income tax purposes. In the further opinion of Bond Counsel, interest on the Series A Bonds and Series B Bonds, is exempt from State of California personal income taxes. See "OTHER INFORMATION - Tax Matters".*

**\$8,340,000**  
**Riverside Public Financing Authority**  
**2007 Series A Tax Allocation Revenue Bonds**  
**(Downtown/Airport Merged Redevelopment Project**  
**and Casa Blanca Redevelopment Project)**  
**(Tax-Exempt)**

**\$14,850,000**  
**Riverside Public Financing Authority**  
**2007 Series B Tax Allocation Revenue Bonds**  
**(Downtown/Airport Merged Redevelopment Project**  
**and Casa Blanca Redevelopment Project)**  
**(Taxable)**

**Dated: Date of Delivery****Due: August 1, as shown below**

The captioned bonds (the "Series A Bonds" and the "Series B Bonds", and together, the "Bonds") are being issued by the Riverside Public Financing Authority (the "Authority") to provide funds to purchase four separate bond issues (the "Agency Bonds") being issued by the Redevelopment Agency of the City of Riverside (the "Agency") to assist in financing and refinancing certain redevelopment activities with respect to two separate redevelopment project areas of the Agency (each, a "Project Area" and, together, the "Project Areas"), as further described in this Official Statement.

The Bonds will be secured under an Indenture of Trust (the "Indenture"), dated as of April 1, 2007, by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee"). The Bonds are secured by a pledge of, security interest in and lien on the Revenues (as defined in the Indenture), which consist principally of payments to be made by the Agency to the Authority as debt service on the Agency Bonds. The Agency Bonds are secured under two separate Indentures of Trust, each of which relates to a single Project Area, each dated as of April 1, 2007, and each by and between the Agency and the Trustee (the "Agency Bonds Indentures"). The payments due under the Agency Bonds Indentures are separately secured by a pledge of, security interest in and lien on Tax Revenues (as defined in the Agency Bonds Indentures and described in this Official Statement) allocated to the Agency with respect to the individual Project Areas and are secured on parity with certain outstanding and possible future debt, as described in this Official Statement. The Tax Revenues from each Project Area secure only the related Agency Bonds and not any other series of Agency Bonds. See "SECURITY FOR THE BONDS AND THE AGENCY BONDS".

The Bonds are being issued in fully registered form, and when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Individual purchases of the Bonds may be made in book-entry form only, in denominations of \$5,000 or any integral multiple of \$5,000. Purchasers of interests in the Bonds will not receive certificates from the Authority or the Trustee representing their interest in the Bonds purchased. Interest on the Bonds will be payable semiannually on February 1 and August 1 of each year, commencing August 1, 2007. Payments of principal, premium, if any, and interest on the Bonds will be payable by the Trustee, to DTC, which is obligated in turn to remit such principal, premium, if any, and interest to the DTC Participants for subsequent disbursement to the Beneficial Owners of the Bonds, as more fully described in this Official Statement.

**The Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as described in this Official Statement. See "THE BONDS — Redemption of the Bonds".**

Payment of the principal of and interest on the Bonds when due will be insured by a financial guaranty insurance policy to be issued by MBIA Insurance Corporation simultaneously with the delivery of the Bonds.



The Bonds are a special obligation of the Authority payable solely from certain payments from the Agency and certain other funds. Neither the City of Riverside, the State of California nor the Authority shall be obligated to pay the principal of the Bonds, or the interest thereon, except from the funds described above, and neither the faith and the credit nor the taxing power of the Agency, the City, the State of California nor any political subdivision thereof is pledged to the payment of the principal of or the interest on the Bonds. The issuance of the Bonds shall not directly, indirectly or contingently obligate the Agency, the City, the State of California or any political subdivision thereof to levy or pledge any form of taxation whatever therefor or to make any appropriations for their payment. Neither the Authority nor the Agency has taxing power.

*This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of this issue. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms used and not defined on this cover page shall have the meanings set forth in this Official Statement.*

For a discussion of some of the risks associated with a purchase of the Bonds, see "BOND OWNERS' RISKS".

---

**MATURITY SCHEDULE**

See inside front cover

---

*The Bonds are offered when, as and if issued, subject to the approval of their legality by Best Best & Krieger LLP, Riverside, California, Bond Counsel. Certain matters will be passed upon for the Authority and the Agency by the City Attorney. Jones Hall, A Professional Law Corporation, San Francisco, California is serving as counsel to the Underwriter. It is anticipated that the Bonds will be available for delivery in definitive form on or about April 10, 2007.*

**STONE & YOUNGBERG LLC**

Dated: March 22, 2007

**NEW ISSUE  
BOOK ENTRY ONLY**

**INSURED RATINGS: Fitch: "AAA"  
S&P: "AAA"  
UNINSURED RATINGS: Fitch: "BBB+"  
S&P: "BBB"**

*In the opinion of Best Best & Krieger LLP, Riverside, California, Bond Counsel, subject, however, to certain qualifications described herein, under existing law, the interest on the Series C Bonds is excluded from gross income for federal income tax purposes, and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although, for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. Interest on the Series D Bonds is not excluded from gross income for federal income tax purposes. In the further opinion of Bond Counsel, interest on the Series C Bonds and Series D Bonds, is exempt from State of California personal income taxes. See "OTHER INFORMATION - Tax Matters".*

**\$89,205,000**

**Riverside Public Financing Authority  
2007 Series C Tax Allocation Revenue Bonds  
(University Corridor/Sycamore Canyon Merged  
Redevelopment Project, Arlington Redevelopment  
Project, Hunter Park/Northside Redevelopment  
Project, Magnolia Center Redevelopment Project and  
La Sierra/Arlanza Redevelopment Project)  
(Tax-Exempt)**

**\$43,875,000**

**Riverside Public Financing Authority  
2007 Series D Tax Allocation Revenue Bonds  
(University Corridor/Sycamore Canyon Merged  
Redevelopment Project, Arlington Redevelopment  
Project, Hunter Park/Northside Redevelopment  
Project, Magnolia Center Redevelopment Project and  
La Sierra/Arlanza Redevelopment Project)  
(Taxable)**

**Dated: Date of Delivery**

**Due: August 1, as shown below**

The captioned bonds (the "Series C Bonds" and the "Series D Bonds", and together, the "Bonds") are being issued by the Riverside Public Financing Authority (the "Authority") to provide funds to purchase 10 separate bond issues (the "Agency Bonds") being issued by the Redevelopment Agency of the City of Riverside (the "Agency") to assist in financing and refinancing certain redevelopment activities with respect to five separate redevelopment project areas of the Agency (each, a "Project Area" and, together, the "Project Areas"), as further described in this Official Statement.

The Bonds will be secured under an Indenture of Trust (the "Indenture"), dated as of April 1, 2007, by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee"). The Bonds are secured by a pledge of, security interest in and lien on the Revenues (as defined in the Indenture), which consist principally of payments to be made by the Agency to the Authority as debt service on the Agency Bonds. The Agency Bonds are secured under five separate Indentures of Trust, each of which relates to a single Project Area, each dated as of April 1, 2007, and each by and between the Agency and the Trustee (the "Agency Bonds Indentures"). The payments due under the Agency Bonds Indentures are separately secured by a pledge of, security interest in and lien on Tax Revenues (as defined in the Agency Bonds Indentures and described in this Official Statement) allocated to the Agency with respect to the individual Project Areas and are secured on parity with certain outstanding and possible future debt, as described in this Official Statement. The Tax Revenues from each Project Area secure only the related Agency Bonds and not any other series of Agency Bonds. See "SECURITY FOR THE BONDS AND THE AGENCY BONDS".

The Bonds are being issued in fully registered form, and when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Individual purchases of the Bonds may be made in book-entry form only, in denominations of \$5,000 or any integral multiple of \$5,000. Purchasers of interests in the Bonds will not receive certificates from the Authority or the Trustee representing their interest in the Bonds purchased. Interest on the Bonds will be payable semiannually on February 1 and August 1 of each year, commencing August 1, 2007. Payments of principal, premium, if any, and interest on the Bonds will be payable by the Trustee, to DTC, which is obligated in turn to remit such principal, premium, if any, and interest to the DTC Participants for subsequent disbursement to the Beneficial Owners of the Bonds, as more fully described in this Official Statement.

**The Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as described in this Official Statement. See "THE BONDS — Redemption of the Bonds".**

Payment of the principal of and interest on the Bonds when due will be insured by a financial guaranty insurance policy to be issued by MBIA Insurance Corporation simultaneously with the delivery of the Bonds.



The Bonds are a special obligation of the Authority payable solely from certain payments from the Agency and certain other funds. Neither the City of Riverside, the State of California nor the Authority shall be obligated to pay the principal of the Bonds, or the interest thereon, except from the funds described above, and neither the faith and the credit nor the taxing power of the Agency, the City, the State of California nor any political subdivision thereof is pledged to the payment of the principal of or the interest on the Bonds. The issuance of the Bonds shall not directly, indirectly or contingently obligate the Agency, the City, the State of California or any political subdivision thereof to levy or pledge any form of taxation whatever therefor or to make any appropriations for their payment. Neither the Authority nor the Agency has taxing power.

*This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of this issue. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms used and not defined on this cover page shall have the meanings set forth in this Official Statement.*

For a discussion of some of the risks associated with a purchase of the Bonds, see "BOND OWNERS' RISKS".

**MATURITY SCHEDULE**  
See inside front cover

*The Bonds are offered when, as and if issued, subject to the approval of their legality by Best Best & Krieger LLP, Riverside, California, Bond Counsel. Certain matters will be passed upon for the Authority and the Agency by the City Attorney. Jones Hall, A Professional Law Corporation, San Francisco, California is serving as counsel to the Underwriter. It is anticipated that the Bonds will be available for delivery in definitive form on or about April 10, 2007.*

**STONE & YOUNGBERG LLC**

Dated: March 22, 2007

NEW ISSUE—BOOK ENTRY ONLY

INSURED RATINGS: S&P: "AAA"

Moody's: "Aa1"

(See "RATING" herein)

*In the opinion of Best Best & Krieger LLP, Riverside, California, Bond Counsel, subject, however, to certain qualifications described herein, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes, and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although, for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, interest on the 2007 Bonds is exempt from State of California personal income taxes. See the caption "TAX MATTERS" herein.*

**\$22,155,000**

**REDEVELOPMENT AGENCY OF THE  
CITY OF CORONA  
(Riverside County, California)  
TEMESCAL CANYON PROJECT AREA  
2007 TAX ALLOCATION BONDS, SERIES A**

**Dated: Date of Delivery**

**Due: November 1, as shown on inside cover**

The Redevelopment Agency of the City of Corona Temescal Canyon Project Area 2007 Tax Allocation Bonds, Series A (the "2007 Bonds") are being issued to (i) finance a portion of the undertaking of the Agency, pursuant to the Redevelopment Plan and Redevelopment Law for the redevelopment of the Agency's Temescal Canyon Project Area (the "Project Area"), (ii) provide for a reserve fund, (iii) provide for the costs of issuing the 2007 Bonds, and (iv) fund capitalized interest on the Bonds and 2007 Escrowed Bonds, as more fully described herein.

The 2007 Bonds are limited obligations of the Redevelopment Agency of the City of Corona (the "Agency") and are secured by an irrevocable pledge of and lien on the Tax Revenues (as defined herein) received by the Agency from the Project Area and other funds as provided in the Trust Indenture dated as of January 1, 2007 (the "Indenture") by and between the Agency and The Bank of New York Trust Company, as Trustee, and as described herein. The Agency has no bonds or obligations outstanding with a pledge on Tax Revenues of the Project Area superior to the pledge securing the Bonds and has covenanted in the Indenture not to issue any obligations with a pledge on Tax Revenues superior to the 2007 Bonds. The Agency has the right to issue additional obligations on a parity with or subordinate to the 2007 Bonds as further described herein. See "SECURITY FOR THE 2007 BONDS."

Interest on the 2007 Bonds will be payable on May 1 and November 1 of each year, commencing May 1, 2007. The 2007 Bonds will be issued as fully registered bonds in the denomination of \$5,000 each or any integral multiple thereof. Principal of the 2007 Bonds will be payable at the corporate trust office in Los Angeles, California of The Bank of New York Trust Company, N.A., as trustee. When issued, the 2007 Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the 2007 Bonds. Individual purchases may be made in book-entry form only. Principal of, premium, if any, and interest on the 2007 Bonds will be paid to DTC, which in turn is required to remit such principal and interest to its participants for subsequent dispersal to the beneficial owners of the 2007 Bonds as described herein. See "THE 2007 BONDS—Book Entry System."

*The 2007 Bonds are subject to optional and mandatory sinking fund redemption prior to maturity. The 2007 Bonds designated on the inside cover as Escrow Term Bonds maturing on November 1, 2032 (the "2007 Escrowed Bonds") also are subject to special mandatory redemption as described herein. See "THE 2007 BONDS—Optional Redemption," "—Mandatory Sinking Fund Redemption" and "—Redemption from Unreleased 2007 Escrow Funds" herein.*

The payment of principal of and interest on the 2007 Bonds when due will be guaranteed by a financial guaranty insurance policy (the "Policy") to be issued by Assured Guaranty Corp. simultaneously with the issuance of the 2007 Bonds.

**ASSURED  
GUARANTY.**

**THE 2007 BONDS ARE LIMITED OBLIGATIONS OF THE AGENCY AND, AS SUCH, ARE NOT A DEBT OF THE CITY OF CORONA, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS AND NEITHER THE CITY, THE STATE NOR ANY OF ITS POLITICAL SUBDIVISIONS, OTHER THAN THE AGENCY TO THE LIMITED EXTENT DESCRIBED HEREIN, ARE OBLIGATED FOR THE PAYMENT THEREOF. IN NO EVENT SHALL THE 2007 BONDS BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE OF THE AGENCY AS SET FORTH IN THE INDENTURE. THE 2007 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMIT OR RESTRICTION. THE AGENCY HAS NO TAXING POWER.**

**MATURITY SCHEDULE**

(See inside cover page)

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION. THE PURCHASE OF THE 2007 BONDS INVOLVES CERTAIN RISKS. SEE "BONDOWNERS' RISKS."

*The 2007 Bonds are offered when, as and if issued, subject to the approval as to their legality by Best Best & Krieger LLP, Riverside, California, Bond Counsel. Certain legal matters will be passed on for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Underwriter's Counsel and for the Agency by Best Best & Krieger LLP, Riverside, California, Agency Counsel. It is anticipated that the 2007 Bonds will be available for delivery in book-entry form through the facilities of DTC in New York, New York on or about February 1, 2007.*

**UBS INVESTMENT BANK**

Dated: January 18, 2007

*In the opinion of Best Best & Krieger LLP, San Diego, California, assuming the accuracy of certain representations and compliance with certain tax covenants described herein, the interest on the Bonds is excluded from gross income for federal income tax purposes under existing statutes, regulations, rulings and court decisions and, in the opinion of Bond Counsel, the interest on the Bonds is exempt from personal income taxes of the State of California under present State law. In addition, Bond Counsel is of the opinion that the interest on the Bonds will not be treated as a specific item of tax preference for purposes of the federal alternative minimum tax on individuals and corporations. However, the interest on the Bonds is included in the computation of certain federal taxes on corporations.*

**\$36,165,000**

**SAN MARCOS PUBLIC FACILITIES AUTHORITY  
2006 Tax Allocation Revenue Bonds  
(Project Area No. 3 Financing Project), Series A**

**Dated: Date of Delivery**

**Due: August 1, as shown on the inside cover hereof**

The Bonds will be issued by the San Marcos Public Facilities Authority (the "Authority") under an Indenture of Trust, dated as of March 1, 2006 (the "Indenture"), by and between the Authority and Union Bank of California, N.A., as trustee (the "Trustee"). Proceeds of the Bonds will be disbursed to make a loan (the "Loan") to the Redevelopment Agency of the City of San Marcos (the "Agency") pursuant to a loan agreement dated as of March 1, 2006 among the Authority, the Agency and the Trustee (the "Loan Agreement"). Proceeds of the Loan will be applied to (i) provide funds for certain capital projects, (ii) pay the costs associated with the issuance of the Bonds, and (iii) provide for a reserve fund for the Bonds. The Bonds are primarily secured by payments made to the Authority by the Agency pursuant to the terms of a Loan Agreement under which the Agency has agreed to pay the Authority amounts equal to all principal, premium, if any, and interest coming due on the Bonds. The moneys required to meet the obligations of the Agency under the Loan Agreement will be obtained from a pledge of Tax Revenues (as defined herein) derived from Project Area No. 3 of the Agency (as more fully described herein, the "Project Area No. 3" or the "Project Area"). See "SECURITY FOR THE BONDS" and "PROJECT AREA NO. 3" herein.

The pledge of Tax Revenues from Project Area No. 3 is on a parity basis with respect to pledges of Tax Revenues from Project Area No. 3. See "PROJECT AREA NO. 3 - Existing Parity Debt and Other Project Area No. 3 Obligations" herein.

The Bonds will be issued as fully registered bonds without coupons, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to ultimate purchasers in the denomination of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. Ultimate purchasers of Bonds will not receive physical certificates representing their interest in the Bonds. So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein of the owners shall mean Cede & Co., and shall not mean the ultimate purchasers of the Bonds. Interest on the Bonds will be payable on February 1 and August 1 of each year, commencing August 1, 2006. Payment of the principal of, premium, if any, and interest on the Bonds will be made directly to DTC, or its nominee, Cede & Co., by the Trustee, so long as DTC or Cede & Co. is the registered owner of the Bonds. Disbursement of such payments to DTC's Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of DTC's Participants and Indirect Participants, as more fully described herein. See "APPENDIX C - BOOK-ENTRY-ONLY SYSTEM".

The Bonds are subject to optional, mandatory and special mandatory redemption prior to maturity as provided herein. See "THE BONDS - Redemption of Bonds" herein.

This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of this issue. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms used on this cover page not otherwise defined shall have the meanings set forth herein.

A detailed maturity schedule for the Bonds is shown on the inside front cover.

Payment of the principal of and interest on the Bonds when due will be insured by a financial guaranty insurance policy to be issued by Ambac Assurance Corporation simultaneously with the delivery of the Bonds. See "FINANCIAL GUARANTY INSURANCE" herein.

## **Ambac**

The Bonds are special obligations of the Authority payable solely from payments received by the Authority from the Agency under the Loan Agreement and by amounts held by the Trustee in the funds and accounts (except the Rebate Account established by the Indenture). The Bonds do not constitute a debt or liability of the Agency, the City of San Marcos, the State of California or any political subdivision thereof. Neither the faith and credit nor the taxing power of the City of San Marcos or the State of California or any political subdivision thereof is pledged to the payment of the principal of or the interest on the Bonds. The Agency and Authority have no taxing power.

*The Bonds are offered when, as and if issued, subject to the approval as to their legality by Best Best & Krieger LLP, San Diego, California, Bond Counsel, and subject to certain other conditions. Certain legal matters will be passed upon for the Authority by Best Best & Krieger LLP, Riverside, California, Disclosure Counsel, and by Lounsbury Ferguson Altona & Peak, as general counsel to the Agency and the Authority. It is anticipated that the Bonds will be available for delivery through the DTC book-entry system on or about April 12, 2006.*

Dated: March 30, 2006

**SPELMAN SECURITIES**  
(A Division of Kinsell, Newcomb & De Dios, Inc.)

**NEW ISSUE  
FULL BOOK ENTRY**

**RATING:** Standard & Poor's: AAA (Insured)  
See "MISCELLANEOUS - Rating" herein.

*In the opinion of Best Best & Krieger LLP, Riverside, California, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, and assuming continuing compliance with the covenants of the Big Bear Lake Financing Authority (the "Authority") intended to preserve the exclusion from gross income for federal income tax purposes of interest on the Bonds, the interest on the Bonds is excluded from gross income for federal income tax purposes, and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. The Bonds have been designated by the Authority as qualified tax-exempt obligations within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended. See "MISCELLANEOUS - Tax Matters" and "Bank Eligible" herein.*

**\$8,875,000**

**BIG BEAR LAKE FINANCING AUTHORITY  
2005 TAX ALLOCATION REFUNDING REVENUE BONDS  
(Bank Qualified)**

**Dated:** Date of Delivery

**Due:** August 1, as shown on the inside cover hereof

The captioned bonds (the "Bonds") are being issued by the Big Bear Lake Financing Authority (the "Authority"). Proceeds of the Bonds will be used to fund two loans (collectively, the "Loans") to the Big Bear Lake Improvement Agency (the "Agency"), which Loan proceeds will be used to (i) currently refund and defease the Authority's outstanding 1995 Tax Allocation Refunding Revenue Bonds (the "1995 Bonds"); (ii) fund reserve accounts for the Loans; and (iii) pay the costs of issuing the Bonds.

The Bonds will be delivered as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to ultimate purchasers ("Beneficial Owners") in the denomination of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. Beneficial Owners will not be entitled to receive delivery of bonds representing their ownership interest in the Bonds. Interest on the Bonds will be payable on February 1 and August 1 of each year, commencing on February 1, 2006. The payment of principal of, premium if any, and semiannual interest on the Bonds will be made by Union Bank of California, N.A., Los Angeles, California, as trustee, to DTC for subsequent disbursement to DTC participants, so long as DTC or its nominee remains the registered owner of the Bonds.

The Bonds are subject to optional and mandatory redemption prior to their maturity under certain conditions as described herein, including mandatory redemption upon acceleration of the payments due under a Loan Agreement upon the occurrence of certain events of default under such Loan Agreement. See "APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE LOAN AGREEMENTS - The Loan Agreement - Events of Default and Remedies."

The Bonds are special obligations of the Authority and payable from and secured by a first pledge of (i) Revenues (as defined herein), consisting primarily of amounts paid by the Agency to the Authority as Loan Payments pursuant to two loan agreements (collectively, the "Loan Agreements"), each dated as of December 1, 2005, and each among the Authority, the Agency and the Trustee, and (ii) moneys on deposit in the funds and accounts established under the Indenture, except for the Rebate Account. No funds or properties of the Authority, other than the Revenues and certain other moneys described herein, including moneys in the Reserve Accounts (as defined herein) held by the Authority, shall be pledged to, or otherwise liable for, the principal of, premium (if any) or interest on the Bonds.

Payment of the principal of and interest on the Bonds when due will be insured by a financial guaranty insurance policy to be issued by Ambac Assurance Corporation simultaneously with the delivery of the Bonds. See "BOND INSURANCE" herein.

**Ambac**

Neither the Bonds, nor the obligations of the Agency under the Loan Agreements, are a debt of the State of California (the "State"), the City of Big Bear Lake (the "City"), or the County of San Bernardino (the "County"), nor is the State, City, or County liable therefor. The principal of, premium, if any, and interest on the Bonds ultimately are payable from and secured by a pledge of certain amounts payable by the Agency to the Authority under the Loan Agreements.

**This cover page contains certain information for quick reference only. It is not intended to be a summary of all factors relating to an investment in the Bonds. Investors should review the entire Official Statement before making any investment decision.**

The Bonds will be offered when, as and if issued and accepted by the Underwriter, subject to approval as to legality by Best Best & Krieger LLP, Riverside, California, Bond Counsel, and subject to certain other conditions. Richards, Watson & Gershon, A Professional Corporation, Los Angeles, California, is acting as Disclosure Counsel. It is anticipated that the Bonds, in book entry form, will be available for delivery in New York, New York, on or about December 14, 2005.

**PiperJaffray.**

Dated: November 22, 2005

**NEW ISSUE - BOOK-ENTRY ONLY**

**FSA Insured, S&P: "AAA"  
Underlying, S&P: "BBB+"  
(See Ratings herein)**

*In the opinion of Best Best & Krieger LLP, Bond Counsel, under existing law and assuming continuing compliance with certain covenants in the documents relating to the Series 2006 Bonds and requirements of the Internal Revenue Code of 1986, as amended (the "Code"), interest on the Series 2006 Bonds is not included in the gross income of the Owners thereof for federal income tax purposes. In the further opinion of Bond Counsel, interest on the Series 2006 Bonds will not be treated as an item of tax preference in calculating alternative minimum taxable income of individuals or corporations. Interest on the Series 2006 Bonds may be included in the calculation of certain taxes, however, including the alternative minimum tax and environmental tax on corporations. Interest on the Series 2006 Bonds will be exempt from present State of California personal income taxes. See "TAX MATTERS" herein.*

**\$9,150,000  
SHAFTER COMMUNITY DEVELOPMENT AGENCY  
SHAFTER COMMUNITY DEVELOPMENT PROJECT AREA NO. 1  
2006 TAX ALLOCATION AND REFUNDING BONDS, SERIES A  
(KERN COUNTY, CALIFORNIA)**

**Dated: Date of Delivery**

**Due: November 1, as shown below**

The Series 2006 Bonds are being issued in accordance with a Trust Indenture, dated as of July 1, 2006 (the "Indenture"), by and between the Shafter Community Development Agency (the "Agency") and Wells Fargo Bank, National Association (the "Trustee"). The proceeds of the Series 2006 Bonds will be used to (i) advance refund the Agency's Shafter Community Development Project, Area No. 1 2000 Subordinate Tax Allocation Bonds, Series A of which \$3,770,000 is currently outstanding (the "2000 Bonds"), (ii) to currently refund the Agency's Shafter Community Development Project Area No. 1 1993 Tax Allocation Bonds, Series A of which \$955,000 is currently outstanding, (iii) fund certain projects of the Agency as more fully described herein, (iv) fund a Reserve Account for the Series 2006 Bonds and (v) to pay the costs of issuance of the Series 2006 Bonds. The Series 2006 Bonds are limited obligations of the Agency and are secured by Tax Revenues (as defined in the Indenture) consisting of a portion of all taxes levied upon all taxable property within the Shafter Community Development Project Area No. 1 (the "Project Area"). The Series 2006 Bonds are being sold to the Shafter Public Financing Authority, which will concurrently sell the Series 2006 Bonds to the Underwriter.

Interest on the Series 2006 Bonds is payable on November 1, 2006 and semi-annually thereafter on each May 1 and November 1 of each year (each an "Interest Payment Date"). The Series 2006 Bonds will be issued as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"). Under the book-entry system maintained by DTC, the Series 2006 Bonds will be available to actual purchasers of the Series 2006 Bonds (the "Beneficial Owners") only through brokers and dealers who are or act through DTC Participants as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Series 2006 Bonds. Ownership interests in the Series 2006 Bonds will be in denominations of \$5,000 and integral multiples thereof. Principal, premium, if any, and interest due with respect to the Series 2006 Bonds is payable to DTC by the Trustee and, so long as DTC or its nominee remains the registered bondholder, disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants.

The scheduled payment of principal of and interest on the Series 2006 Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Series 2006 Bonds by Financial Security Assurance Inc.



The Series 2006 Bonds are subject to optional redemption and mandatory redemption as described herein.

This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of this issue. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms used on this cover page not otherwise defined shall have the meanings set forth herein.

The purchase of the Series 2006 Bonds involves certain risks. See the section of this Official Statement entitled "Risk Factors" for a discussion of certain risk factors which should be considered, in addition to other matters set forth herein, in evaluating the investment quality of the Series 2006 Bonds.

THE SERIES 2006 BONDS ARE NOT A DEBT OF THE CITY OF SHAFTER, THE STATE OF CALIFORNIA, OR ANY OF ITS POLITICAL SUBDIVISIONS, AND NEITHER THE CITY, THE STATE NOR ANY OF ITS POLITICAL SUBDIVISIONS IS LIABLE THEREFOR, THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE SERIES 2006 BONDS ARE PAYABLE SOLELY FROM TAX REVENUES ALLOCATED AND PAID TO THE AGENCY FROM THE PROJECT AREA AND CERTAIN OTHER MONEYS. THE SERIES 2006 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. NEITHER THE MEMBERS OF THE AGENCY, THE CITY, NOR ANY PERSONS EXECUTING THE SERIES 2006 BONDS ARE LIABLE PERSONALLY ON THE SERIES 2006 BONDS BY REASON OF THEIR ISSUANCE.

**NEW ISSUE - BOOK-ENTRY ONLY****NOT RATED**  
**(See Risk Factors Herein)**

*In the opinion of Best Best & Krieger LLP, Bond Counsel, under existing law and assuming continuing compliance with certain covenants in the documents relating to the Series 2006 Bonds and requirements of the Internal Revenue Code of 1986, as amended (the "Code"), interest on the Series 2006 Bonds is not included in the gross income of the Owners thereof for federal income tax purposes. In the further opinion of Bond Counsel, interest on the Series 2006 Bonds will not be treated as an item of tax preference in calculating alternative minimum taxable income of individuals or corporations. Interest on the Series 2006 Bonds may be included in the calculation of certain taxes, however, including the alternative minimum tax and environmental tax on corporations. Interest on the Series 2006 Bonds will be exempt from present State of California personal income taxes. See "TAX EXEMPTION" herein.*

**\$6,685,000**  
**SHAFTER COMMUNITY DEVELOPMENT AGENCY**  
**SHAFTER COMMUNITY DEVELOPMENT PROJECT AREA NO. 2**  
**2006 TAX ALLOCATION AND REFUNDING BONDS, SERIES A**  
**(KERN COUNTY, CALIFORNIA)**

**Dated: Date of Delivery****Due: November 1, as shown below**

The Series 2006 Bonds are being issued in accordance with a Trust Indenture, dated as of July 1, 2006 (the "Indenture"), by and between the Shafter Community Development Agency (the "Agency") and the Trustee. The proceeds of the Series 2006 Bonds will be used to (i) advance refund the Agency's Shafter Community Development Project Area No. 2 2000 Tax Allocation Bonds, Series A outstanding in the aggregate principal amount of \$2,510,000 (the "2000 Bonds"), (ii) fund certain projects of the Agency as more fully described herein, (iii) fund a Reserve Account for the Series 2006 Bonds and (iv) to pay the costs of issuance of the Series 2006 Bonds. The Series 2006 Bonds are limited obligations of the Agency and are secured by Tax Revenues (as defined in the Indenture) consisting of a portion of all taxes levied upon all taxable property within the Shafter Community Development Project Area No. 2 (the "Project Area"). The Series 2006 Bonds are being sold to the Shafter Public Financing Authority, which will concurrently sell the Series 2006 Bonds to the Underwriter.

Interest on the Series 2006 Bonds is payable on November 1, 2006 and semi-annually thereafter on each November 1 and May 1 of each year (each an "Interest Payment Date"). The Series 2006 Bonds will be issued as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"). Under the book-entry system maintained by DTC, the Series 2006 Bonds will be available to actual purchasers of the Series 2006 Bonds (the "Beneficial Owners") only through brokers and dealers who are or act through DTC Participants as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Series 2006 Bonds. Ownership interests in the Series 2006 Bonds will be in denominations of \$5,000 and integral multiples thereof. Principal, premium, if any, and interest due with respect to the Series 2006 Bonds is payable to DTC by Wells Fargo Bank, National Association, Los Angeles, California, as Trustee (the "Trustee") and, so long as DTC or its nominee remains the registered bondholder, disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants.

**The Series 2006 Bonds are subject to optional redemption and mandatory redemption as described herein.**

**This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of this issue. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms used on this cover page not otherwise defined shall have the meanings set forth herein.**

**The purchase of the Series 2006 Bonds involves certain risks. See the section of this Official Statement entitled "Risk Factors" for a discussion of certain risk factors which should be considered in addition to other matters set forth herein, in evaluating the investment quality of the Series 2006 Bonds.**

**THE SERIES 2006 BONDS ARE NOT A DEBT OF THE CITY OF SHAFTER, THE STATE OF CALIFORNIA, OR ANY OF ITS POLITICAL SUBDIVISIONS, AND NEITHER THE CITY, THE STATE NOR ANY OF ITS POLITICAL SUBDIVISIONS IS LIABLE THEREFOR, THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE SERIES 2006 BONDS ARE PAYABLE SOLELY FROM TAX REVENUES ALLOCATED AND PAID TO THE AGENCY FROM THE PROJECT AREA AND CERTAIN OTHER MONEYS. THE SERIES 2006 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. NEITHER THE MEMBERS OF THE AGENCY, THE CITY, NOR ANY PERSONS EXECUTING THE SERIES 2006 BONDS ARE LIABLE PERSONALLY ON THE SERIES 2006 BONDS BY REASON OF THEIR ISSUANCE.**



# URBAN FUTURES

INCORPORATED

Finance • Redevelopment • Implementation • Planning

April 30, 2007

Mr. Daryl Parrish  
City Manager  
City of Colton  
650 North La Cadena Drive  
Colton, CA 92324

**RE: REDEVELOPMENT CONSULTING AND FINANCIAL ADVISORY SERVICES FOR THE  
REDEVELOPMENT AGENCY FOR THE CITY OF COLTON**

Dear Daryl:

Pursuant to recent discussions with you and staff, following is our proposal to provide consulting and financial advisory services to the Redevelopment Agency for the City of Colton (the Agency).

Since our founding, Urban Futures, Inc. has served over 150 governmental entities in various capacities, and as financial advisors/fiscal consultants, we have been involved in over \$6,000,000,000 worth of transactions. We have helped many California agencies create a sound financial foundation and look forward to sharing this expertise with the Agency.

Due to our extensive public finance and redevelopment experience in California, Urban Futures, Inc. is uniquely qualified to provide financial advisory services to the Agency in an innovative and comprehensive manner. UFI "brings to the table":

- Knowledge of and familiarity with the current municipal bond market and trends relative to financings in California;
- A team of professionals with a combined 120 years of municipal financing and redevelopment experience;
- Analytic sophistication that fosters a multi-disciplinary approach to problem solving regardless of project size or type;
- An integrated full-service approach which provides clients with all necessary redevelopment, implementation and finance services; and
- Continuity of service; UFI is small enough so that there is never a break in the client/professional network, yet large enough to offer a full range of services.

Urban Futures, Inc. is proud to announce that it was the number one financial advisor in the redevelopment finance industry in the State of California during calendar years 2004, 2005, and 2006, regarding the number of tax allocation bond issues completed. We assisted more California redevelopment agencies with their debt issuance needs than any other financial advisor in California.

The greatest benefit that we present to the Agency is that our firm can combine these necessary services into a comprehensive whole. This combination will enable our firm to develop a much greater depth of understanding of the Agency, hence increasing the quality of financial services we will provide. **The Scope of Services** section details the services that Urban Futures Inc. will perform.

### **Firm Description and Experience:**

Urban Futures, Inc. (UFI) is a full service municipal consulting firm serving local government primarily in the State of California. The firm was founded in 1972 and has existed in its present form since 1974. It is the largest singularly owned, municipal financial advisor/redevelopment consulting firm in the State. UFI is a closely held California corporation and serves as the controlling company for Urban Futures Bond Administration, Inc. (UFBAI), one of the nation's largest bond administrators. UFBAI shares offices with UFI in the City of Orange, California. In addition to UFBAI, separate divisions exist for Redevelopment Planning and Project Implementation (headed by Jon Huffman with 6 staff members), Continuing Disclosure, and Financial Advisory. The total staff of UFI consists of 22 members.

Staff members regularly attend seminars to upgrade their skill levels. Marshall Linn, Doug Anderson, Eva Wolf, and Al Holliman represent the key professional staff, from our Financial Advisory Division, who will be assigned to this engagement. They are supported by associates Julia Peyken and Jose Orrelana. If it is determined that long form/project amendments will benefit the Agency relative to SB 1206 and other legislation, then appropriate planning staff will be assigned subject to a separate proposal.

Over the last 32 years, UFI has provided financial advice for the following types of financings:

- a. Assessment District Bonds
- b. Mello -Roos Special Tax Bonds
- c. Certificates of Participation
- d. Lease Revenue Bonds
- e. RDA Tax Allocation Bonds — Taxable and Tax-Exempt
- f. RDA Tax Allocation Notes — Taxable and Tax-Exempt
- g. Single Family Revenue Bonds
- h. Mobile Home Revenue Bonds
- i. Multifamily Revenue Bonds
- j. Variable Rate Bonds
- k. Water and Sewer Revenue Bonds
- l. General Obligation Bonds
- m. Grant Anticipation Notes
- n. Enterprise Fund Financings
- o. Pension Obligation Bonds

UFI's Public Finance Department is dedicated to providing comprehensive and innovative financial consulting services to cities, counties, redevelopment agencies and special districts. The principal members of the firm have over one hundred and twenty years of combined experience in both public and private financings. The firm, over the last decade, has served as financial advisor, fiscal consultant and/or bond administrator for more than six billion dollars worth of tax exempt and

taxable securities.

UFI currently serves as financial advisor and/or bond administrator to over 125 counties, cities and redevelopment agencies. In addition to redevelopment and Marks-Roos, other kinds of issues for which we have served as financial advisor include water and sewer revenue bonds, special assessment bonds, Mello-Roos Special Tax Bonds, certificates of participation revenue bonds, single and multifamily revenue bonds, taxable bonds, and various forms of refunding bonds.

In addition, major banks have issued Letters of Credit to a significant number of California redevelopment agencies and cities based on their confidence in our work product. Both Moody's Investor's Service and Standard & Poor's recognize our name and have issued ratings on issues where we served as financial advisor/fiscal consultant.

### **Scope of Services:**

Our understanding of the current engagement is to initially provide an assessment of the Agency, including extensive analysis of the financial benefits (or detriments) of amending various timelines and dollar limits which exist in your 7 project areas. In particular, because time is of the essence, we will provide a separate assessment of the West Valley Project Area (as amended), including a fiscal consultant report and an SB 211 ordinance for adoption by the Agency Board. This analysis will also be included within the more comprehensive analysis of the Agency as a whole. Upon completion of the comprehensive analysis, a written report will be issued.

The West Valley (and West Valley Amended) Project Area review will provide a determination of the financing capacity of the project area to repay a loan to the General Fund as well as the amount which could be supported by a tax exempt bond issue. Furthermore, our analysis will project future assessed valuations based upon impending specific plans and other planned land use changes as communicated to UFI by staff.

The comprehensive analysis will include an assessment of the financing capacity of the Agency, assuming adoption of SB 211 ordinances to eliminate the debt incurrence deadlines for the Mt. Vernon, Santa Ana River, and Cooley Ranch project areas, in addition to the aforementioned West Valley SB 211 ordinance. The Rancho Mill Project Area will also be examined, but this project area does not need an SB 211 ordinance to eliminate the debt incurrence deadline. The financing capacity of all project areas will be examined with resultant recommendations being made.

In addition to the aforementioned duties, UFI will tour all project areas with staff experienced in making a preliminary determination of blight adequacy in light of SB 1206 criteria. Again, if it is determined that territory can be added or modifications of financial limits (such as the lifetime increment cap) are sufficiently beneficial, then UFI will provide a separate proposal to provide the necessary services.

If the Agency decides to pursue the issuance of bonds, as a result of UFI's analysis, and engages UFI as the Financial Advisor, our scope of services for this work includes:

1. Prepare for the client a financing structure to accomplish the financing objective. This analysis will include setting goals and objectives relative to the issuance of both taxable and tax exempt debt.

2. Evaluate the feasibility of the project/financing to include project costs, cash flows, tax increment flows and other revenue sources as applicable.
3. Prepare various tax increment scenarios of existing increment flows and projections based on various growth assumptions for Agency-issued debt.
4. Prepare the Financial Advisory Report for publication in the Official Statement.
5. Evaluate the financing structure, to include debt service schedules; call features; bond security; flow of funds; sources and uses of funds including costs of issuance; underwriters discount and original issue discount; investment of bond proceeds; and estimated positive and negative cash flow to the Agency.
6. Work with client staff, bond counsel, disclosure counsel, underwriters and other participants, to review, prepare and advise on information contained in the preliminary and final official statements, Indenture of Trust, fiscal agent agreement, investment agreements, and other legal and disclosure documents and materials required to facilitate the sale of the bonds.
7. Continue to update financing schedules and monitor market conditions including interest rate "spreads" between various tax-exempt and taxable securities, up until the actual marketing and pricing of the bonds.
8. Assist client staff, underwriters and other financing team members in working with credit rating agencies and financial institutions, and prepare any presentation materials and documentation for rating and credit reviews.
9. After reviewing all bond documents including the Official Statement, Indenture of Trust, and investment agreements, UFI will provide the client with a "Fairness Opinion" relative to the proposed sale of bonds including the pricing structure, interest rate levels, interest rate "spreads", reinvestment structures, costs of issuance, underwriting and other investment banking fees.
10. Assist the client in the final closing of the financing.
11. Verify tax increment revenue for the latest fiscal year;
12. Calculate and project tax increment revenue for the next five years;
13. Review and analyze five (5) years of historical assessed value and tax revenue receipts for the Redevelopment Project Areas;
14. Describe in detail, the top ten (10) secured (and unsecured if material) taxpayers in the Project Area;
15. Review of the Project Area's base year assessed value, including any adjustments made by the County Auditor-Controller;

16. Complete analysis of the Project Area's redevelopment plan, including number of plan years remaining, and any restrictive covenants;
17. Complete analysis of the Project Areas in terms of current development activity, and anticipated project development. This review will include on-site visits, which we feel is a major and necessary part of our evaluation;
18. Thorough review of existing pass-through agreements, disposition and development agreements, and owner participation agreements for the Project Areas, including subordination and other restrictive language;
19. Review and verify current and past revenue collections.
20. Post-Bond Sale follow-up:

Working with the Agency's underwriter, prepare and furnish the Agency with a table of debt service which will include semi annual and annual payments of principal and interest, table of sources and uses of funds from the proceeds of the financing, and a complete cash flow analysis of the financing which will "track" the flow of funds, investment earnings, pledged revenues, and debt service payments.

21. Meet and assist rating agency officials if applicable.
22. Conduct investor meetings on behalf of the Agency/City if necessary.

### **Compensation:**

Urban Futures' fee schedule is attached as Exhibit C. As indicated in the above scope of services section of this proposal if the Agency engages UFI as a financial advisor for any related Agency bond issues in the near future, then fees related to hourly time and charges (per our attached fee schedule) will be waived. Our compensation will then come from bond proceeds upon bond closing, based upon our fee schedule. However, should the Agency elect to not issue bonds or engage UFI as Financial Advisor, then our fees for the Agency consulting and analysis will be due and payable. We will cap the amount due, if the hour billing method becomes applicable, at \$23,000.

### **Qualifications of Key Personnel:**

**MARSHALL F. LINN, President** will oversee all aspects of the work performed for the Redevelopment Agency for the City of Colton. Mr. Linn has more than 38 years of municipal and private consulting experience. Over the last 28 years Mr. Linn has specialized in the preparation and implementation of more than 150 redevelopment plans. As a financial advisor, Mr. Linn has participated in more than 350 bond issues, including 50 single-family and multi-family mortgage revenue bond issues, totaling well over five billion dollars in tax exempt securities. He has also served as financial advisor and/or fiscal consultant for over 250 tax allocation notes and bonds, lease revenue bonds, certificates of participation, sewer and water revenue bonds, community facilities and assessment district financings, and other miscellaneous type of transactions.

*Education:* Bachelor of Science Degree, Economics; Master's Degree, Urban Planning, University of Southern California.

**DOUGLAS P. ANDERSON, Vice President** will provide significant analysis and input for this engagement. He is particularly proficient in the compilation and composition of the fiscal consultant report, a key component of the preliminary and final official statement for redevelopment financings. In addition, Mr. Anderson is very familiar with the various financial scenarios associated with California legislation (such as SB 211) that impact redevelopment agencies. He also has expertise in the areas of tax revenue analysis and bond administration. He is responsible for the research and analysis necessary to structure tax allocation bond issues, including tax increment revenue projections and analysis of the revenue created by new development. Mr. Anderson has been with Urban Futures since 1985.

*Education:* Mr. Anderson earned a Bachelor of Science Degree from San Diego State University in Business Administration, with a Finance emphasis.

**AL HOLLIMAN, Principal** will have support responsibilities for this engagement. Al enjoyed a successful 33 year career in state and local government before joining Urban Futures in late 2006. His career consisted primarily of assistant city manager, finance, and redevelopment administrative positions. As such, he has extensive experience in municipal finance, economic development, redevelopment, and housing, which includes lead issuer responsibilities for over \$500 million in tax exempt debt offerings. Mr. Holliman has a unique background in that he is a certified public accountant but also has demonstrated experience in developer negotiations, development agreements, and capital project administration. He has taught government finance and economic development courses in the California State University system since 1998.

*Education:* Mr. Holliman earned a Bachelor of Arts Degree from California State University Fullerton in Business Administration and a Master of Arts Degree in Management from the Claremont Graduate School. He is currently enrolled in doctoral studies at the University of Maryland.

**EVA WOLF, Assistant Vice President** will research and compile the financial and statistical data necessary for any of the Agency's financing needs. Ms. Wolf provides analytical support on various financing projects. Ms. Wolf is primarily responsible for providing quantitative analyses on bond structuring and assisting clients with all aspects of the sale process. Ms. Wolf is responsible for coordinating with the financing team to ensure adherence to the financing schedule. She has served as a project manager and closing coordinator on numerous financings for cities, redevelopment agencies and counties. Ms. Wolf has been involved in all aspects of public finance, including general obligation bonds, lease revenue obligations, special tax bonds, 1915 Act assessment district bonds and tax allocation bonds. She has been with Urban Futures since 1995.

*Education:* Ms. Wolf earned a Bachelor of Science Degree from the University of Redlands in Business Management.

Urban Futures looks forward to assisting the Redevelopment Agency for the City of Colton in a consulting and financial advisory capacity. Please contact me at (714) 283-9334, ext. 14 if you have any questions or need additional assistance. Please refer to Exhibits A (references), B (client list), and C (fee schedule) attached.

Sincerely,

A handwritten signature in cursive script that reads "Marshall Linn".

Marshall Linn  
President

Cc: Dilu DeAlwis, Finance Director  
Candace Cassell, Redevelopment Director

## **EXHIBIT A: REFERENCES**

Robert LaSala, City Manager  
**CITY OF LANCASTER**  
44933 Fern Avenue  
Lancaster, CA 93534  
(661) 723-6006

*Financial advisor for 75+ financings*

Bob Adams, City Manager  
**CITY OF MANTECA**  
1001 W. Center Drive  
Manteca, CA 95337  
(209) 239-8400

*Financial advisor for 8+ financings*

Brad Kilger, City Manager  
**CITY OF CERES**  
2720 Second Street  
Ceres, CA 95307-3292  
(209) 538-5700

*Financial advisor services*

Joe Hughes, City Manager  
**CITY OF HIGHLAND**  
27215 E. Baseline Street  
Highland, CA 92346  
(909) 864-8732

*Financial advisor for 8+ financings*

Leon Compton, City Manager  
**CITY OF RIPON**  
259 North Wilma Avenue  
Ripon, CA 95306  
(209) 599-2108

*Financial advisor for 5+ financings*

Marlene Best  
**CITY OF IMPERIAL**  
420 South Imperial Avenue  
Imperial, CA 92251  
(760) 355-4373

*Financial advisor for 10+ financings*

Edward Todd, City Manager  
**CITY OF DINUBA**  
405 E. El Monte Street  
Dinuba, CA 93618  
(559) 591-5904

*Financial advisor services*

Jeff Allred, City Manager  
**CITY OF NORCO**  
2870 Clark Avenue  
Norco, CA 92860  
(951) 735-3900

*Financial advisor for 10+ financings*



## Exhibit B: Clients

### *REDEVELOPMENT AGENCIES/CITIES AND INSTITUTIONAL CLIENTS THAT URBAN FUTURES, INC. HAS SERVED*

|                       |                         |                         |
|-----------------------|-------------------------|-------------------------|
| Adelanto              | Fresno                  | Orange                  |
| Alameda County        | Fresno County           | Orange County           |
| Anderson              | Garden Grove            | Oxnard                  |
| Apple Valley          | Glendora                | Parlier                 |
| Arroyo Grande         | Gonzales                | Pasadena                |
| Azusa                 | Grand Terrace           | Pico Rivera             |
| Bakersfield           | Greenfield              | Pismo Beach             |
| Baldwin Park          | Gridley                 | Pittsburg               |
| Banning               | Hanford                 | Pomona                  |
| Barstow               | Hawaiian Gardens        | Rancho Cucamonga        |
| Bell Gardens          | Hesperia                | Rancho Palos Verdes     |
| Belmont               | Highland                | Redlands                |
| Big Bear Lake         | Holtville               | Redondo Beach           |
| Blythe                | Huntington Beach        | Reedley                 |
| Brawley               | Huntington Park         | Rialto                  |
| Brisbane              | Hughson                 | Rio Vista               |
| Buena Park            | Indio                   | Ripon                   |
| Calabasas             | Industry                | Rocklin                 |
| Calipatria            | Kings County            | San Bernardino          |
| Calexico              | Lafayette               | San Diego, City         |
| Carson                | Lancaster               | San Diego, County       |
| Cathedral City        | La Verne                | San Dimas               |
| Ceres                 | Lawndale                | San Francisco           |
| Cerritos              | Lemoore                 | San Juan Capistrano     |
| Coalinga              | Lemon Grove             | San Luis Obispo, City   |
| Colton                | Lindsay                 | San Luis Obispo, County |
| Commerce              | Livingston              | San Leandro             |
| Corcoran              | Loma Linda              | Santa Ana               |
| Corona                | Los Angeles, City       | San Buenaventura        |
| Costa Mesa            | Los Angeles, County     | Santa Paula             |
| Covina                | Los Banos               | San Fernando            |
| Crescent City         | Manhattan Beach         | San Jacinto             |
| Cudahy                | Manteca                 | Shasta Utility District |
| Delano                | March Joint Powers      | Soledad                 |
| Desert Hot Springs    | Authority               | South El Monte          |
| Dinuba                | (Military Base Reuse)   | Stanislaus County       |
| Downey                | Maywood                 | Stanton                 |
| Duarte                | Mendota                 | Susanville              |
| Economic Development  | Merced                  | Victor Valley Economic  |
| Corporation-Southwest | Montebello              | Development Authority   |
| County                | Monterey Park           | (Military Base Reuse)   |
| El Centro             | Moorpark                | University of La Verne  |
| Exeter                | Morgan Hill             | Upland                  |
| Farmersville          | Murrieta                | Ventura                 |
| Fillmore              | Needles                 | Walnut                  |
| Firebaugh             | Norco                   | West Covina             |
| Folsom                | Oceanside               | Westminster             |
| Fort Bragg            | Ontario                 | Winters                 |
| Fountain Valley       | Ontario Local           | Winton                  |
| Fowler                | Redevelopment Authority | Yorba Linda             |

## *REPRESENTATIVE BOND ISSUERS AND/OR ADMINISTRATION CLIENTS*

|                                                                   |                                                       |
|-------------------------------------------------------------------|-------------------------------------------------------|
| Azusa                                                             | Moorpark Redevelopment Agency                         |
| Big Bear Redevelopment Agency                                     | Moreno Valley                                         |
| Barstow                                                           | Murrieta                                              |
| Blythe                                                            | Murrieta Joint Powers Authority                       |
| Blythe Redevelopment Agency                                       | National City                                         |
| Brawley                                                           | Norco                                                 |
| Brawley Redevelopment Agency                                      | Norco Redevelopment Agency                            |
| Calabasas                                                         | Oceanside                                             |
| Calexico                                                          | Ontario Redevelopment Agency                          |
| Calexico Community Redevelopment Agency                           | Orange County                                         |
| California Statewide Community Development Authority<br>(CSCDA)   | Orange County Redevelopment Agency                    |
| Camarillo                                                         | Oxnard                                                |
| Cathedral City                                                    | Palmdale                                              |
| Cathedral City Redevelopment Agency                               | Paramount                                             |
| Clovis                                                            | Pasadena Community Development Commission             |
| Colton Redevelopment Agency                                       | Phoenix, Arizona                                      |
| Concord                                                           | Pittsburg                                             |
| Covina                                                            | Pomona                                                |
| Covina Redevelopment Agency                                       | Pomona Redevelopment Agency                           |
| Covina-Rancho Cucamonga-Calexico-Downey Housing Finance<br>Agency | Port Hueneme-Covina Housing Finance Agency            |
| Delano Redevelopment Agency                                       | Rancho Cucamonga                                      |
| Dinuba                                                            | Redlands                                              |
| Dinuba Redevelopment Agency                                       | Rialto                                                |
| Duarte Redevelopment Agency                                       | Riverside County                                      |
| El Monte-Downey-San Jacinto Housing Finance Agency                | Sacramento County                                     |
| Encinitas                                                         | San Bernardino County                                 |
| Escondido-Chula Vista Housing Finance Agency                      | San Buenaventura-Covina Housing Finance Agency        |
| Firebaugh Redevelopment Agency                                    | San Diego County                                      |
| Fresno                                                            | San Diego County Housing Authority                    |
| Garden Grove                                                      | San Jacinto                                           |
| Highland                                                          | San Juan Capistrano Redevelopment Agency              |
| Highland Redevelopment Agency                                     | San Leandro                                           |
| Huntington Park Redevelopment Agency                              | San Marcos                                            |
| Indio                                                             | Simi Valley                                           |
| Lancaster                                                         | Southern California Home Financing Authority (SCHAFA) |
| Lancaster Housing Authority                                       | Stanton                                               |
| Lancaster Redevelopment Agency                                    | Stanton Redevelopment Agency                          |
| Lemoore                                                           | Thousand Oaks                                         |
| Lemoore Redevelopment Agency                                      | Union City                                            |
| Lindsay Redevelopment Agency                                      | Upland                                                |
| Livermore                                                         | Vallejo                                               |
| Loma Linda                                                        | Victorville                                           |
| Los Angeles County                                                | Vista                                                 |
| Manteca                                                           | Walnut Improvement Agency                             |
| Manteca Redevelopment Agency                                      | Westminster                                           |
| Montebello Redevelopment Agency                                   | Westminster Redevelopment Agency                      |
| Montebello-Oxnard Housing Finance Agency                          | Winton                                                |
| Monterey Park                                                     | Yucaipa                                               |
| Moorpark                                                          |                                                       |

## EXHIBIT C: FINANCIAL ADVISOR FEE SCHEDULE

The cost for the services requested by the Client for Financial Advisor shall be based on the following fee schedule and other considerations:

|     | <u>Fee</u>                        | <u>Bond Amt</u> |
|-----|-----------------------------------|-----------------|
| 1)  | \$28,500 up to and including..... | \$ 1,000,000    |
| 2)  | \$31,500 up to and including..... | \$ 2,000,000    |
| 3)  | \$34,500 up to and including..... | \$ 3,000,000    |
| 4)  | \$37,500 up to and including..... | \$ 4,000,000    |
| 5)  | \$40,500 up to and including..... | \$ 5,000,000    |
| 6)  | \$41,500 up to and including..... | \$ 6,000,000    |
| 7)  | \$45,500 up to and including..... | \$ 7,000,000    |
| 8)  | \$47,500 up to and including..... | \$ 8,000,000    |
| 9)  | \$49,500 up to and including..... | \$ 9,000,000    |
| 10) | \$51,500 up to and including..... | \$10,000,000    |
| 11) | \$53,500 up to and including..... | \$11,000,000    |
| 12) | \$55,500 up to and including..... | \$12,000,000    |
| 13) | \$57,500 up to and including..... | \$13,000,000    |
| 14) | \$59,500 up to and including..... | \$14,000,000    |
| 15) | \$61,500 up to and including..... | \$15,000,000    |
| 16) | \$63,500 up to and including..... | \$16,000,000    |
| 17) | \$65,500 up to and including..... | \$17,000,000    |
| 18) | \$67,500 up to and including..... | \$18,000,000    |
| 19) | \$69,500 up to and including..... | \$19,000,000    |
| 20) | \$71,500 up to and including..... | \$20,000,000    |
| 21) | \$73,500 up to and including..... | \$21,000,000    |
| 22) | \$75,500 up to and including..... | \$22,000,000    |
| 23) | \$77,500 up to and including..... | \$23,000,000    |
| 24) | \$79,500 up to and including..... | \$24,000,000    |
| 25) | \$81,500 up to and including..... | \$25,000,000    |

For any single issue in excess of \$25,000,000, the financial advisor fee will be \$2,000 per million over and above \$25,000,000.

Such fee shall become payable only upon delivery by the Agency (or the legal entity or entities issuing such bonds, notes or obligations) of such bonds. In addition, the Financial Advisor shall be reimbursed for direct out-of-pocket expenses and for legal expenses, if a competitive bid situation is called for, out of the proceeds from the financing.

In addition to the Financial Advisor's duties listed in the proposal, the City may wish to engage the Financial Advisor for other specific assignments or services. In these instances, the staff of Urban Futures, Inc. will be available on an hourly fee basis. Urban Futures, Inc. hourly compensation is as follows:

|                 |          |
|-----------------|----------|
| Principals      | \$185.00 |
| Senior Staff    | \$160.00 |
| Associate Staff | \$125.00 |
| Assistant Level | \$ 75.00 |

Addendum to April 30, 2007  
Urban Futures, Inc. Proposal

*After the proposal was sent to the Redevelopment Agency for the City of Colton, Steven Duckett joined the firm. Following is his biographical information.*

Steve Dukett joined the Urban Futures family during 2007 and serves as a Principal Consultant to local government. He specializes in the planning and implementation of redevelopment, economic development, housing programs, asset management and grant programs. Prior to joining firm, Steve served as Redevelopment Director with the Cities of Redlands, Upland, Hesperia, Ontario, Lancaster and San Bernardino and with the County of Los Angeles and its Community Development Commission. He also served as Acting City Manager for a portion of his term with the City of Hesperia. In total, Steve has nearly 40 years of local government sponsored or initiated development experience. Further, during his career in the public development arena, Steve has been involved with a wide-variety of development projects with combined values of over \$800 million. He has also guided 14 redevelopment plan adoptions or amendments and is particularly known for his deal making and deal closing skills.

On a personal note, Steve is a graduate of California State University, Los Angeles, is a former Chairman of the Board of the California Association for Local Economic Development (CALED), currently serves as Chairman of the Board of Regents of the California Academy for Economic Development and during April 2006 was selected as the 12<sup>th</sup> “Golden Bear”, which is CALED’s highest award for career **achievement in local economic development.**

PiperJaffray



PIPER JAFFRAY  
*LOCAL GOVERNMENT PUBLIC FINANCE GROUP*

---

STATEMENT OF QUALIFICATIONS TO THE  
CITY OF COLTON

**PIPER JAFFRAY  
LOCAL GOVERNMENT PUBLIC FINANCE GROUP  
STATEMENT OF QUALIFICATIONS**

*Table of Contents*

---

|                                                   | <u>PAGE</u> |
|---------------------------------------------------|-------------|
| <b>I. PIPER JAFFRAY QUALIFICATIONS</b>            |             |
| • PIPER JAFFRAY FIRM OVERVIEW                     | 3           |
| • PIPER JAFFRAY DISTRIBUTION CAPABILITIES         | 4           |
| • REDEVELOPMENT FINANCE OVERVIEW                  | 5           |
| • LOCAL GOVERNMENT FINANCE GROUP OVERVIEW         | 6           |
| • SYNTHETIC FIXED RATE REDEVELOPMENT FINANCE      | 6           |
| • LOCAL GOVERNMENT TEAM RESUMES                   | 7           |
| <br><b>II. REDEVELOPMENT FINANCING EXPERIENCE</b> |             |

PiperJaffray

*LOCAL GOVERNMENT PUBLIC FINANCE GROUP  
STATEMENT OF QUALIFICATIONS*

---

**TAB I -  
PIPER JAFFRAY QUALIFICATIONS**

LOCAL GOVERNMENT PUBLIC FINANCE GROUP  
STATEMENT OF QUALIFICATIONS

*OVERVIEW OF PIPER JAFFRAY*

Founded in 1895, Piper Jaffray Companies, headquartered in Minneapolis, Minnesota, is a client-focused securities firm dedicated to delivering superior financial advice, investment products and transaction execution within selected sectors of the financial services marketplace. Incorporated in Delaware, Piper Jaffray operates as an independent public company and is traded on the New York Stock Exchange (NYSE) under the ticker symbol "PJC".

*Piper Jaffray is a 111-year old financial investment banking firm.*

Piper Jaffray & Co., the firm's principal operating subsidiary, provides a comprehensive set of products and services, including equity and public finance underwriting; mergers and acquisitions; equity and debt capital markets; high-yield and structured products; institutional equity, tax-exempt and taxable sales and trading; and equity and high-yield research. We focus on building long-term relationships with our clients by drawing on our employees' expertise. We service corporations, government and nonprofit entities, and institutional investors on an international basis.

Piper Jaffray is an equal opportunity employer and has approximately 1,000 employees in 20 principal offices across the United States and in London, United Kingdom and Shanghai, China.

During 2006, Piper Jaffray aligned the entire firm toward growing its capital markets business. To facilitate this strategy, Piper Jaffray sold its Private Client Services branch network. Piper Jaffray's mission is to build the leading international middle market investment bank and institutional securities firm. Proceeds from the sale have provided the means to recapitalize Piper Jaffray as well as to invest further in our core business lines.

*SERVICES OFFERED*

Piper Jaffray is divided into two primary segments: (i) Corporate and Institutional Services, and (ii) Public Finance Services through which we provide access to the debt and equity markets for public and corporate clients and serve as a market maker for institutional investor clients. These two areas are complementary to one another and the firm is committed to both of these business segments.

We offer public and private corporations, public entities, non-profit clients and institutional investors equity and fixed income financial advisory, capital raising and trading execution services. We raise capital for our corporate clients through equity and debt offerings in four focus industries, namely the consumer, financial institutions, health care and technology industries. For our government and non-profit clients, we offer financial advisory and risk management services and underwrite debt issuances. An integral part of our Capital Markets business is our equity sales and trading relationships with United States and international institutional investors who invest in companies within our focus industries. Our fixed income sales and trading professionals, who cover a range of institutional investors, have expertise in corporate, mortgage, agency and municipal securities.

Separate from our Capital Markets business, we have established an Investment Research group that provides products and services to the clients of those business segments.

*PUBLIC FINANCE SERVICES*

The Piper Jaffray Public Finance Services department consists of 203 investment banking, sales and trading employees in 21 different locations throughout the United States.

*The Firm ranked 4<sup>th</sup> in 2006 for number of long-term municipal bond issues.*

The Public Finance Group within the Public Finance Services department is involved in three primary functions: investment banking to assist clients in issuing taxable and tax-exempt debt securities; trading of municipal bonds; and institutional sales of these debt instruments to national and regional investors.

The Public Finance Group is staffed by 106 employees, including 81 investment banking professionals, in seventeen different locations throughout the Midwest, Mountain West, Pacific Northwest, and Southwest regions. The department employs quality investment bankers with the understanding, knowledge and creativity needed to meet the capital needs of a diverse group of



**LOCAL GOVERNMENT PUBLIC FINANCE GROUP  
STATEMENT OF QUALIFICATIONS**

public sector, non-profit and for-profit debt issuers. These investment bankers are committed to and capable of meeting the financing needs of clients of all sizes.

In 2006, the Investment Banking department managed 456 negotiated tax-exempt and taxable long-term transactions totaling more than \$23.5 billion. In addition, the department served as a financial advisor on 144 transactions totaling more than \$2.6 billion. In 2006, Piper Jaffray ranked fourth in the nation in number of long-term municipal new issues managed (Thomson Financial Securities Data).

| 2006 National Ranking<br>Long-Term Municipal New Issues<br>(Full Credit to Lead Manager) |                                |                |
|------------------------------------------------------------------------------------------|--------------------------------|----------------|
| Rank                                                                                     | Firm                           | # of<br>Issues |
| 1                                                                                        | UBS Securities LLC             | 715            |
| 2                                                                                        | RBC Capital Markets            | 633            |
| 3                                                                                        | Citigroup                      | 543            |
| 4                                                                                        | <b>Piper Jaffray &amp; Co</b>  | <b>454</b>     |
| 5                                                                                        | Morgan Keegan & Co Inc         | 448            |
| 6                                                                                        | Merrill Lynch & Co             | 408            |
| 7                                                                                        | Bank of America Securities LLC | 385            |
| 8                                                                                        | J P Morgan Securities Inc      | 327            |
| 9                                                                                        | A G Edwards & Sons Inc         | 317            |
| 10                                                                                       | Roosevelt & Cross Inc          | 271            |

| 2006 National Ranking<br>Long-Term Municipal New Issues<br>(Full Credit to Lead Manager) |                                |                             |
|------------------------------------------------------------------------------------------|--------------------------------|-----------------------------|
| Rank                                                                                     | Firm                           | Par Amount<br>(\$ Millions) |
| 1                                                                                        | Citigroup                      | 52,789.1                    |
| 2                                                                                        | UBS Securities LLC             | 40,023.5                    |
| 3                                                                                        | Merrill Lynch & Co             | 36,475.7                    |
| 4                                                                                        | J P Morgan Securities Inc      | 25,541.3                    |
| 5                                                                                        | Goldman Sachs & Co             | 25,296.2                    |
| 6                                                                                        | Lehman Brothers                | 22,164.7                    |
| 7                                                                                        | Morgan Stanley                 | 19,595.9                    |
| 8                                                                                        | Bear Stearns & Co              | 17,849.7                    |
| 9                                                                                        | Bank of America Securities LLC | 17,569.8                    |
| 10                                                                                       | RBC Capital Markets            | 15,386.3                    |
| 11                                                                                       | Morgan Keegan & Co Inc         | 8,618.9                     |
| 12                                                                                       | <b>Piper Jaffray &amp; Co</b>  | <b>6,540.0</b>              |

***PIPER JAFFRAY DISTRIBUTION CAPABILITIES***

**Municipal Trading and Underwriting**

Piper Jaffray has 16 municipal traders located in Minneapolis, New York, Kansas City, San Francisco and Seattle. In 2006 these traders were responsible for completing 583 negotiated and competitively bid municipal bond issues. Our municipal traders are committed to making a primary and secondary market in as many municipal securities as possible, including both larger, rated issues and smaller, unrated issues. The traders are responsible for assuring an adequate supply of bonds to meet the needs of our institutional and retail sales force and their investor clients. On average, Piper Jaffray carries up to \$200 million of municipal bonds in its inventory, which varies in size depending upon investor demands and issuer volume.

**Institutional Sales**

Piper Jaffray's Fixed Income Institutional Sales force consists of 54 sales persons in 13 locations who sell fixed income products to both national and regional institutional investors. This sales force is divided into four areas: a national municipal sales group, a corporate bond group, a government and mortgage back group and a middle markets group of regional fixed income generalists. The National Municipal Group covers Tier I institutions: investment funds of all types, insurance companies, large banks, pension funds and money managers. The Middle Markets Group has a more regional focus on Tier II and Tier III institutions: medium- to smaller-sized banks, trust departments, insurance companies and corporations. Piper Jaffray's institutional ability to distribute municipal bonds is unsurpassed within the region and exceeds many national firms as a result of our combined national and regional sales force. Our overall fixed income sales force provides us with the capability to sell a wide variety of taxable and other specialized fixed income products.

*In 2006, PJ traders were responsible for completing 583 negotiated and competitively bid municipal bond issues.*

LOCAL GOVERNMENT PUBLIC FINANCE GROUP  
STATEMENT OF QUALIFICATIONS

**Strong Capital Base**

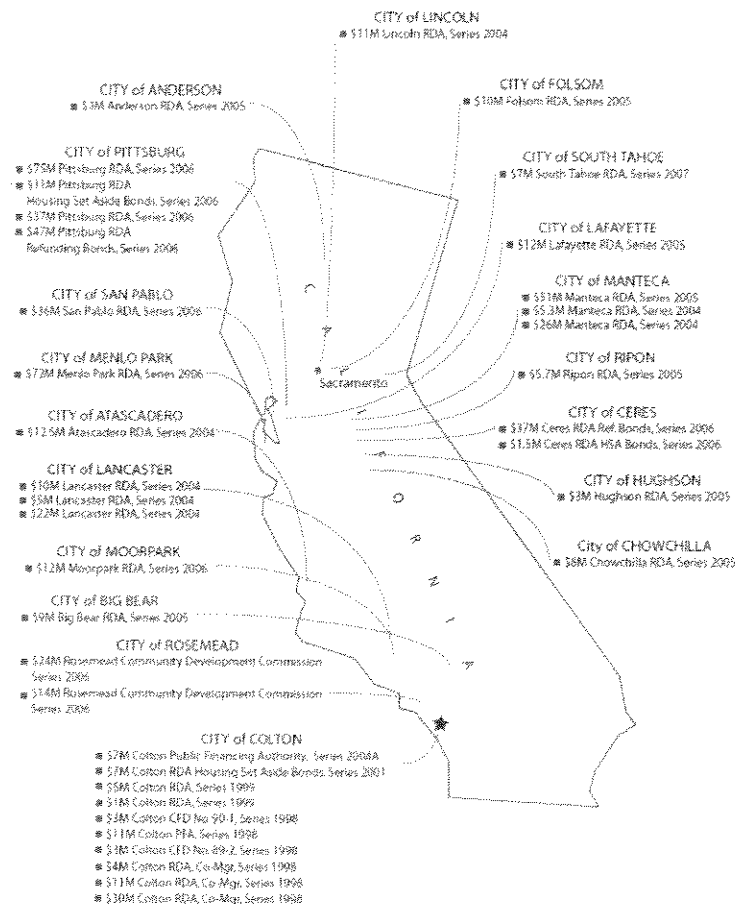
As of December 31, 2006 Piper Jaffray has \$4.329 billion of legal underwriting capacity based on Excess Net Capital. The Firm has no strict limit on the amount of capital that can be committed to an individual transaction. For transactions of less than \$100 million, we routinely underwrite 25% to 75% of the bonds when necessary in order to ensure the best pricing for our clients. This gives us an advantage over smaller firms by giving us greater control over the pricing of bonds for our clients.

**REDEVELOPMENT FINANCE OVERVIEW**

The Piper Jaffray California Public Finance Team specializes in underwriting tax allocation bonds for California redevelopment agencies. Senior investment bankers in our San Francisco and Sacramento offices have assisted in the formation of numerous redevelopment project areas throughout the State and structured more than 200 tax allocation bond financings. Our California bankers average over ten years of experience planning and implementing economic development and infrastructure improvement programs for California communities.

During the past five years, the Piper California Team has underwritten over 180 financings for California cities, with a combined par amount exceeding \$3.1 billion, including 58 tax allocation bonds with a total par value of \$1.3 billion. During 2006, our California team was a top underwriter of California tax allocation bonds, serving as senior managing underwriter on eight local agency bond issues with a par amount of \$225 million. Following is a graphic representation of California Tax Allocation financings recently completed by the Piper team. A complete transaction list appears in Tab II.

*The California  
Local  
Government  
Group has  
underwritten  
more than 58 tax  
allocation bond  
financings in the  
last five years  
with a par  
amount  
exceeding \$1.3  
billion.*



*PIPER JAFFRAY'S LOCAL GOVERNMENT FINANCE GROUP*

---

The Piper Team is expert at structuring every type of tax allocation bond, including new money and refunding bonds, fixed and variable-rate bonds, rated and non-rated bonds, senior and subordinate bonds, taxable and tax-exempt bonds, current interest and capital appreciation bonds, housing and non-housing bonds and various escrow structures. The senior bankers in the San Francisco office have established over 40 redevelopment project areas throughout the State of California. In total, the California Public Finance team has structured in excess of 200 tax allocation bond financings.

The following list includes of the key redevelopment activities performed by Piper Jaffray for our redevelopment clients over the past 20 years.

- Lead consultant and coordination of the adoption of over 40 local redevelopment programs.
- Structuring and underwriting over one hundred and fifty tax allocation bond financings.
- Secured only AA category rating for a California redevelopment agency (San Rafael / "AA-", 2002)
- Structuring of a Community Facilities District Financing for a parking garage that will be refunded by tax allocation bonds (Pleasant Hill, 1998).
- Creation of the concept of tax increment escrow bonds (Morgan Hill, 1984).
- Management and structuring of the first local government housing rehabilitation and new construction housing bonds (Eureka and San Pablo, 1978).
- Structuring and underwriting of the first double-barreled security pledge tax increment and Mello-Roos bonds (Pittsburg, 1989).
- Structuring of over a dozen UDAG and tax increment financings.
- Structured first subordinate synthetic fixed rate redevelopment financing (Pittsburg, 2004).

*SYNTHETIC FIXED RATE FINANCINGS FOR REDEVELOPMENT FINANCE*

---

Additionally, our California bankers are recognized industry leaders in using synthetic fixed-rate tax allocation bonds to lower interest costs and maximize bonding capacity for California cities, redevelopment agencies and special districts. The Piper California Team has served as senior managing underwriter on nine such transactions during the past two years with a total par value exceeding \$470 million.

**Synthetic Fixed-Rate Bonds Issued by California Cities  
Senior Managed by Piper Jaffray**

| <b>Par Amount</b> | <b>Issuer</b>                                   | <b>Series</b> |
|-------------------|-------------------------------------------------|---------------|
| \$72,000,000      | City of Menlo Park Community Development Agency | 2006          |
| \$36,000,000      | City of San Pablo Redevelopment Agency          | 2006          |
| \$15,725,000      | City of Pacifica                                | 2006          |
| \$50,760,000      | City of Manteca Redevelopment Agency            | 2005          |
| \$21,900,000      | City of Corcoran                                | 2005          |
| \$38,850,000      | City of Pittsburg Financing Authority           | 2005          |
| \$47,902,000      | Madera Irrigation District                      | 2005          |
| \$70,635,000      | Adelanto Public Utility Authority               | 2005          |
| \$117,615,000     | City of Pittsburg Redevelopment Agency          | 2004          |

As a result of our extensive experience, the Group has developed an unrivaled level of competence in this sector that includes not only financing and credit, but also legal requirements; financing development; tax matters; and alternative credit enhancers and investors.

We believe that this combination of unique experience will enable the Piper Jaffray Local Government Group to provide our clients with a breadth and depth of service that is unparalleled.

#### *COLTON FINANCE TEAM*

Our firm pledges its full resources to the successful completion of each financing. Mr. Richard Kiss will have primary day-to-day responsibility for the relationship with Colton and for the successful completion of each transaction, with assistance from Mr. Matthew Challis. Ms. Denise Rabe will manage the technical support on behalf of the City. Mr. Chris Bessette will serve as chief bond underwriter support. The team will work closely with City staff to become thoroughly familiar with transaction structure, credit issues, and any other financial or operational issues.

#### **RICHARD KISS, MANAGING DIRECTOR,**

*SAN FRANCISCO, CA*

Mr. Kiss has been working in the field of California public finance since 1984. During this time, Mr. Kiss has generated, structured, and closed a wide variety of municipal financings. These financings include general obligation bonds, redevelopment tax allocation financings, assessment, Mello-Roos, water, sewer, wastewater, general fund leases (COPs), and tax and revenue anticipation notes. Mr. Kiss has structured financings for dozens of California public agencies in the last decade.

Prior to joining Piper Jaffray, Mr. Kiss worked in public finance for a regional investment bank headquartered in San Francisco for a decade. Before moving into public finance investment banking, Mr. Kiss was associated with the law firm of Brobeck, Phleger & Harrison in San Francisco and Squire Sanders & Dempsey in Florida and has over three years experience as bond counsel. As an attorney and investment banker, Mr. Kiss brings a broad range of expertise to all municipal financings. Mr. Kiss received his law degree from the University of Florida, graduating Magna Cum Laude. Mr. Kiss received his B.A. from Boston College. Professional associations include the State Bar of California, The Florida Bar and the National Association of Bond Lawyers.

#### Office:

345 California Street  
Suite 2400  
San Francisco, California 90254

(415) 984-5170 (office)  
(949) 981-3739 (cell)  
(415) 984-5159 (fax)

#### **MATTHEW CHALLIS, VICE PRESIDENT**

*SAN FRANCISCO, CA*

Mr. Challis joined the Piper Jaffray Local Government Group in the San Francisco office in early 1999. Since that time Mr. Challis has structured and closed 60 financings for 20 California public agencies totaling over \$550 million for a wide variety of public infrastructure and facilities improvement projects.

Mr. Challis handles every aspect of a transaction including credit review and policy, evaluation of alternative debt structures, documentation, financial modeling, the negotiation of credit ratings and insurance commitments, coordination of the bond sale effort, quantitative analysis required to finalize the structuring of a bond issue, pricing and closing. Mr. Challis has worked on a broad variety of both long and short term financings including general obligation bonds, general fund leases (COPs and lease revenue), redevelopment tax allocation bonds, Assessment and Reassessment District financings, Mello-Roos Special Tax bonds, mobile home park acquisitions, solid waste, wastewater, and water transactions.

Prior to joining the Public Finance practice, Mr. Challis worked for Piper Jaffray as an investment executive with a primary focus on the sales and marketing of California municipal bonds. Mr. Challis received a Bachelor of Arts from Loyola Marymount University and a Master in Business Administration from the University of California at Davis. Mr. Challis holds the Series 7, 63 and 65 securities licenses.

Office:

345 California Street

Suite 2400

San Francisco, California 90254

(415) 984-5162 (office)

(415) 516-7414 (cell)

(415) 984-5159 (fax)

**DENISE RABE, ASSOCIATE**

SAN FRANCISCO, CA

Ms. Rabe joined Piper Jaffray's Public Finance Group in 2003. Ms. Rabe is responsible for the quantitative analysis used for the structuring of bond issues as well as the solicitation of credit and rating commitments. Additionally Ms. Rabe works closely with the senior bankers in all aspects of the financings. These financings include general obligation bonds, redevelopment tax allocation financings, assessment, Mello-Roos, water, sewer, wastewater and general fund leases (COPs). Ms. Rabe received a Bachelor of Arts in Economics from the University of Colorado at Boulder.

Office:

345 California Street

Suite 2400

San Francisco, California 90254

(415) 984-5169 (office)

(415) 515-3711 (cell)

(415) 984-5159 (fax)

**CHRISTOPHER BESSETTE, MANAGING DIRECTOR**

SAN FRANCISCO, CA

Christopher Bessette has over 18 years of experience working in municipal bond trading and underwriting. Mr. Bessette has worked on Piper Jaffray's municipal desk since 1994. As a secondary market maker, he has extensive experience in trading California tax-exempt and taxable credits. Mr. Bessette has traded the debt of virtually every issuer in the State of California, either in the primary or secondary market.

Mr. Bessette holds a Bachelors of Science degree in Business Administration from Bryant College in Smithfield, Rhode Island.

Office:

345 California Street

Suite 2400

San Francisco, California 90254

(415) 984-4666 (office)

(415) 601-0793 (cell)

(415) 984-4606 (fax)

*LOCAL GOVERNMENT PUBLIC FINANCE GROUP  
STATEMENT OF QUALIFICATIONS*

---

**TAB II -  
REDEVELOPMENT FINANCE EXPERIENCE**

**LOCAL GOVERNMENT FINANCE GROUP  
STATEMENT OF QUALIFICATIONS**

**Tax Allocation Financings Completed  
by Piper Jaffray's Local Government Group since 1997**

| Full Description                                                                                                                                                   | Sale Date | Issue Size   | Piper Role | Deal Type | S & P ID |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|--------------|------------|-----------|----------|
| Rosemead Community Development Commission Redevelopment Project Area No. 1, Los Angeles County, California, Tax Allocation Refunding Bonds, Series 2006B           | 14-Dec-06 | \$24,230,000 | Sole       | N         | NR       |
| City of Pittsburg Redevelopment Agency, California, Subordinate Tax Allocation Bonds, Series 2006A                                                                 | 13-Dec-06 | \$75,300,000 | Co-Mgr     | N         | AAA      |
| Redevelopment Agency of the City of Moorpark, California, Tax Allocation Bonds (Moorpark Redevelopment Project) Series 2006                                        | 13-Dec-06 | \$11,695,000 | Sole       | N         | AAA      |
| Ceres Redevelopment Agency Ceres Redevelopment Project Area No. 1, California, Housing Tax Allocation Refunding Bonds, Series 2006                                 | 12-Dec-06 | \$1,480,000  | Sole       | N         | AAA      |
| Ceres Redevelopment Agency Ceres Redevelopment Project Area No. 1, California, Tax Allocation Refunding Bonds, Series 2006                                         | 12-Dec-06 | \$36,645,000 | Sole       | N         | AAA      |
| Manteca Redevelopment Agency, California, Amended Merged Project Area Subordinated Tax Allocation Bonds, Series 2006                                               | 05-Dec-06 | \$22,675,000 | Sole       | N         | AAA      |
| Redevelopment Agency of the City of Pittsburg, California, Housing Set-Aside Tax Allocation Bonds (Los Medanos Community Development Project) Taxable Series 2006A | 29-Nov-06 | \$11,020,000 | Co-Mgr     | N         | AAA      |
| Redevelopment Agency of the City of Pittsburg, California, Subordinate Tax Allocation Bonds (Los Medanos Community Development Project) Taxable Series 2006B       | 29-Nov-06 | \$36,840,000 | Co-Mgr     | N         | AAA      |
| Redevelopment Agency of the City of Pittsburg, California, Subordinate Tax Allocation Refunding Bonds (Los Medanos Community Development Project) Series 2006C     | 28-Nov-06 | \$46,660,000 | Co-Mgr     | N         | AAA      |
| Redevelopment Agency of the City of San Pablo, California, Subordinate Tax Allocation Bonds (Tenth Township Redevelopment Project) Series 2006                     | 05-Oct-06 | \$36,000,000 | Sole       | N         | AAA      |
| City of Menlo Park Community Development Agency, California, Tax Allocation Refunding Bonds (Las Pulgas Community Development Project) Series 2006                 | 25-May-06 | \$72,430,000 | Sole       | N         | AAA      |
| Rosemead Community Development Commission, Los Angeles County, California, Redevelopment Project Area No. 1, Tax Allocation Bonds, Series 2006A                    | 23-Feb-06 | \$14,005,000 | Sole       | N         | AAA      |
| Hughson Redevelopment Agency, California, Tax Allocation Refunding Bonds (Hughson Redevelopment Project) Series 2006 (Bank Qualified)                              | 14-Feb-06 | \$3,200,000  | Sole       | N         | NR       |
| Chowchilla Redevelopment Agency, California, Tax Allocation Bonds (Chowchilla Redevelopment Project) Series 2005                                                   | 13-Dec-05 | \$7,945,000  | Sole       | N         | AA       |
| Manteca Redevelopment Agency Amended Merged Project Area, California, Variable Rate Subordinate Tax Allocation Refunding Bonds, Series 2005                        | 13-Dec-05 | \$50,760,000 | Sole       | N         | AAA      |
| Grover Beach Improvement Agency, California, Tax Allocation Bonds (Grover Beach Improvement Project) Series 2005 (Bank Qualified)                                  | 08-Dec-05 | \$4,390,000  | Sole       | N         | BBB+     |

**LOCAL GOVERNMENT FINANCE GROUP  
STATEMENT OF QUALIFICATIONS**

| Full Description                                                                                                                                                 | Sale Date | Issue Size    | Piper Role | Deal Type | S & P ID |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|---------------|------------|-----------|----------|
| Imperial Redevelopment Agency, California, Tax Allocation Refunding Bonds (City of Imperial Redevelopment Project) Series 2005                                   | 29-Nov-05 | \$9,055,000   | Sole       | N         | AAA      |
| Big Bear Lake Financing Authority, California, Tax Allocation Refunding Revenue Bonds, Series 2005 (Bank Qualified)                                              | 22-Nov-05 | \$8,875,000   | Sole       | N         | AAA      |
| City of Ripon Redevelopment, California, Ripon Community Redevelopment Project Tax Allocation Bonds, Series 2005                                                 | 16-Nov-05 | \$5,660,000   | Sole       | N         | NR       |
| Lafayette Redevelopment Agency, County of Contra Costa, California, Tax Allocation Bonds (Lafayette Redevelopment Project) Series 2005                           | 20-Oct-05 | \$11,680,000  | Sole       | N         | AA       |
| Berkeley Redevelopment Agency, Alameda County, California, Refunding Tax Allocation Bonds (West Berkeley Redevelopment Project) Series 2005 (Bank Qualified)     | 04-Oct-05 | \$7,880,000   | Sole       | N         | NR       |
| Folsom Redevelopment Agency, California, Tax Allocation Bonds (Central Folsom Redevelopment Project) Series 2005                                                 | 03-Aug-05 | \$10,190,000  | Sole       | N         | AAA      |
| Greenfield Redevelopment Agency, Monterey County, California, Subordinate Tax Allocation Notes (Greenfield Redevelopment Project) Series 2005                    | 24-May-05 | \$13,210,000  | Sole       | N         | NR       |
| City of Anderson Redevelopment Agency, California, Tax Allocation Bonds, Series 2005                                                                             | 15-Mar-05 | \$2,580,000   | Sole       | N         | NR       |
| Pittsburg Redevelopment Agency, California, Subordinate Tax Allocation Bonds (Los Medanos Community Development Project) Series 2004A                            | 29-Dec-04 | \$117,615,000 | Sole       | N         | NR       |
| Pittsburg Redevelopment Agency, California, Housing Set Aside Tax Allocation Bonds (Los Medanos Community Development Project) Series 2004C (Taxable)            | 15-Dec-04 | \$18,270,000  | Sole       | N         | AAA      |
| Pittsburg Redevelopment Agency, California, Subordinate Tax Allocation Refunding Bonds (Los Medanos Community Development Project) Series 2004B (Taxable)        | 15-Dec-04 | \$10,720,000  | Sole       | N         | AAA      |
| Lancaster Redevelopment Agency Combined Redevelopment Project Areas, California, Tax Allocation Refunding Bonds (Fire Protection Facilities Project) Series 2004 | 14-Dec-04 | \$10,200,000  | Sole       | N         | AAA      |
| Lancaster Redevelopment Agency Combined Redevelopment Project Areas, California, Tax Allocation Refunding Bonds (Library Project) Series 2004                    | 14-Dec-04 | \$5,135,000   | Sole       | N         | AAA      |
| Lancaster Redevelopment Agency Combined Redevelopment Project Areas, California, Tax Allocation Refunding Bonds (Sheriff's Facility Project) Series 2004         | 14-Dec-04 | \$21,540,000  | Sole       | N         | AAA      |
| Manteca Redevelopment Agency, California, Subordinated Tax Allocation Bonds (Amended Merged Project Area) Series 2004                                            | 17-Nov-04 | \$25,925,000  | Sole       | N         | AAA      |
| Manteca Redevelopment Agency, California, Tax Allocation Bonds (Housing Set-Aside) Series 2004                                                                   | 17-Nov-04 | \$5,310,000   | Sole       | N         | AAA      |
| Atascadero Community Redevelopment Agency, California, Tax Allocation Bonds (Atascadero Redevelopment Project) Series 2004                                       | 16-Nov-04 | \$12,490,000  | Sole       | N         | AAA      |
| Lancaster Development Agency, California, Combined Redevelopment Project Areas (Housing Programs) Subordinate Tax Allocation Bonds, Series 2004B (Taxable)       | 09-Nov-04 | \$11,005,000  | Sole       | N         | AAA      |



**LOCAL GOVERNMENT FINANCE GROUP  
STATEMENT OF QUALIFICATIONS**

| Full Description                                                                                                                                                           | Sale Date | Issue Size   | Piper Role | Deal Type | S & P ID |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|--------------|------------|-----------|----------|
| Lancaster Redevelopment Agency, Taxable Subordinate Tax Allocation Bonds (Combined Redevelopment Project Areas -Housing Programs) Series 2004                              | 09-Nov-04 | \$13,575,000 | Sole       | N         | AAA      |
| Corcoran Redevelopment Agency, California, Tax Allocation Bonds (Corcoran Industrial Sector Redevelopment Project) Series 2004 (Bank Qualified)                            | 08-Nov-04 | \$4,845,000  | Sole       | N         | AA       |
| Lincoln Public Financing Authority, California, Housing Set-Aside Tax Allocation Revenue Bonds, Series 2004B (Taxable)                                                     | 06-Oct-04 | \$2,370,000  | Sole       | N         | AAA      |
| Lincoln Public Financing Authority, California, Tax Allocation Revenue Bonds, Series 2004A                                                                                 | 06-Oct-04 | \$8,720,000  | Sole       | N         | AAA      |
| Lancaster Financing Authority, California, Tax Allocation Refunding Bonds (Lancaster Redevelopment Projects Nos. 5 and 6 (School District)) Series 2004                    | 09-Sep-04 | \$7,830,000  | Sole       | N         | BBB-     |
| Pinole Redevelopment Agency, Contra Costa County, California, Second-Subordinate Tax Allocation Bonds (Pinole Vista Redevelopment Project) Series 2004B (Taxable)          | 09-Sep-04 | \$8,395,000  | Sole       | N         | AAA      |
| Pinole Redevelopment Agency, Contra Costa County, California, Subordinate Housing Set Aside Tax Allocation Bonds (Pinole Vista Redevelopment Project) Series 2004A Taxable | 09-Sep-04 | \$3,215,000  | Sole       | N         | AAA      |
| Pinole Redevelopment Agency, Contra Costa County, California, Second-Subordinate Tax Allocation Bonds (Pinole Vista Redevelopment Project) Series 2004 (Tax-Exempt)        | 08-Sep-04 | \$7,195,000  | Sole       | N         | AAA      |
| Pinole Redevelopment Agency, Contra Costa, California, Third-Subordinate Tax Allocation Bonds (Pinole Vista Redevelopment Project) Series 2004                             | 08-Sep-04 | \$11,190,000 | Sole       | N         | AAA      |
| Redevelopment Agency of the City of Pacifica, California, Tax Allocation Bonds (Rockaway Beach Redevelopment Project) Series 2004                                          | 11-Aug-04 | \$1,725,000  | Sole       | N         | NR       |
| Oroville Public Financing Authority, California, Tax Allocation Revenue Bonds (Oroville Redevelopment Project No. 1) Series 2004A (Bank Qualified)                         | 12-Jul-04 | \$8,480,000  | Sole       | N         | AAA      |
| Oroville Public Financing Authority, California, Taxable Tax Allocation Revenue Bonds (Oroville Redevelopment Project No. 1) Series 2004B                                  | 12-Jul-04 | \$2,145,000  | Sole       | N         | AAA      |
| Colton Public Financing Authority, California, Subordinate Tax Allocation Revenue Bonds (Redevelopment Agency for the City of Colton Refunding Housing Loan) Series 2004A  | 22-Jun-04 | \$6,980,000  | Sole       | N         | AAA      |
| Highland Redevelopment Agency, Highland Development Project Area No. 1, California, Tax Allocation Bonds Series 2004A                                                      | 03-Jun-04 | \$17,525,000 | Sole       | N         | AAA      |
| Highland Redevelopment Agency, Highland Development Project Area No. 1, California, Tax Allocation Refunding Bonds Series 2004B                                            | 03-Jun-04 | \$3,690,000  | Sole       | N         | AAA      |

**LOCAL GOVERNMENT FINANCE GROUP  
STATEMENT OF QUALIFICATIONS**

| Full Description                                                                                                                                                                    | Sale Date | Issue Size   | Piper Role | Deal Type | S & P ID |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|--------------|------------|-----------|----------|
| City of San Pablo Joint Powers Public Financing Authority, California, Tax Allocation Revenue Bonds, Series 2004                                                                    | 03-Mar-04 | \$37,755,000 | Sole       | N         | AAA      |
| Lancaster Financing Authority, California, Subordinate Tax Allocation Revenue Bonds (Lancaster Residential, Amargosa, Project No. 5, and No. 6 Redevelopment Projects) Series 2003B | 11-Dec-03 | \$16,560,000 | Sole       | N         | AAA      |
| Lancaster Redevelopment Agency, California, Subordinate Tax Allocation Refunding Bonds (Combined Redevelopment Project Areas - Housing Programs) Series 2003B                       | 11-Dec-03 | \$18,080,000 | Sole       | N         | AAA      |
| Arcata Community Development Agency, California, Tax Allocation Refunding Bonds, Series 2003                                                                                        | 09-Dec-03 | \$9,865,000  | Sole       | N         | AAA      |
| Ceres Redevelopment Agency, California, Tax Allocation Bonds (Ceres Redevelopment Project Area No. 1) Series 2003                                                                   | 02-Dec-03 | \$15,305,000 | Sole       | N         | AAA      |
| Eureka Public Financing Authority, Humboldt County, California, Tax Allocation Revenue Refunding Bonds (Eureka Redevelopment Projects) Series 2003                                  | 24-Sep-03 | \$15,250,000 | Sole       | N         | AAA      |
| City of Seaside Redevelopment Agency, California, Merged Project Area, Tax Allocation (Term) Bonds, Series 2003                                                                     | 03-Sep-03 | \$2,145,000  | Sole       | N         | A-       |
| City of Seaside Redevelopment Agency, California, Merged Project Area, Tax Allocation Bonds, Series 2003                                                                            | 03-Sep-03 | \$19,980,000 | Sole       | N         | AAA      |
| Garden Grove Agency for Community Development, California, Tax Allocation Refunding Bonds (Garden Grove Community Project) Series 2003                                              | 25-Aug-03 | \$57,025,000 | Sole       | N         | AAA      |
| Pinole Redevelopment Agency, Contra Costa County, California, Second-Subordinate Tax Allocation Bonds (Pinole Vista Redevelopment Project) Series 2003A                             | 26-Jun-03 | \$8,830,000  | Sole       | N         | AAA      |
| Pittsburg Redevelopment Agency, California, Tax Allocation Bonds (Los Medanos Community Development Project) Series 2003A                                                           | 22-May-03 | \$88,375,000 | Sole       | N         | AAA      |
| Lancaster Financing Authority, California, Subordinate Tax Allocation Revenue Bonds (Lancaster Residential, Amargosa, Project No. 5, and No. 6 Redevelopment Projects) Series 2003  | 15-May-03 | \$40,595,000 | Sole       | N         | AAA      |
| Lancaster Redevelopment Agency, California, Combined Redevelopment Project Areas, Subordinate Tax Allocation Refunding Bonds (Housing Programs) Series 2003                         | 15-May-03 | \$60,980,000 | Sole       | N         | AAA      |
| Lemoore Redevelopment Agency, Tax Allocation Bonds (Lemoore Redevelopment Project) Series 2003                                                                                      | 02-May-03 | \$13,835,000 | Sole       | N         | AAA      |
| City of Ripon Redevelopment Agency, California, Tax Allocation Bonds (Ripon Community Redevelopment Project) Series 2003                                                            | 24-Apr-03 | \$6,320,000  | Sole       | N         | NR       |
| Guadalupe Redevelopment Agency, California, Tax Allocation Refunding Bonds (Guadalupe Redevelopment Project) Series 2003                                                            | 07-Mar-03 | \$6,455,000  | Sole       | N         | AAA      |
| San Rafael Redevelopment Agency, Tax Allocation Refunding Bonds (Central San Rafael Redevelopment Project) Series 2002                                                              | 10-Oct-02 | \$25,020,000 | Sole       | N         | AAA      |
| Manteca Redevelopment Agency, California, Subordinated Tax Allocation Refunding Bonds (Manteca Merged Project Area) Series 2002                                                     | 29-Aug-02 | \$30,765,000 | Sole       | N         | AAA      |
| Lafayette Redevelopment Agency, Contra Costa County, California, Tax Allocation Bonds (Lafayette Redevelopment Project) Series 2002                                                 | 08-Aug-02 | \$5,585,000  | Sole       | N         | BBB-     |

**LOCAL GOVERNMENT FINANCE GROUP  
STATEMENT OF QUALIFICATIONS**

| Full Description                                                                                                                                                        | Sale Date        | Issue Size         | Piper Role     | Deal Type | S & P ID    |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|--------------------|----------------|-----------|-------------|
| Pittsburg Redevelopment Agency, California, Community Development Tax Allocation Refunding Bonds (Los Medanos Community Development Project) Series 2002A               | 13-Mar-02        | \$59,970,000       | Sole           | N         | AAA         |
| Galt Redevelopment Agency of the City of Galt, California, Tax Allocation Bonds (Galt Redevelopment Project) Series 2002                                                | 15-Jan-02        | \$8,700,000        | Sole           | N         | AAA         |
| Moorpark Redevelopment Agency, California, Tax Allocation Bonds (Moorpark Redevelopment Project) Series 2001                                                            | 13-Dec-01        | \$11,625,000       | Sole           | N         | AAA         |
| Claremont Redevelopment Agency, California, Tax Allocation Refunding Bonds (Consolidated Redevelopment Project) Series 2001                                             | 21-Sep-01        | \$8,610,000        | Sole           | N         | NR          |
| Pleasant Hill Redevelopment Agency, Revenue Bonds, Series 2001                                                                                                          | 23-Jul-01        | \$10,335,000       | Fin Adv        | N         |             |
| <b>Colton Redevelopment Agency, Subordinate Housing Tax Allocation Revenue Bonds, Series 2001A</b>                                                                      | <b>24-May-01</b> | <b>\$6,550,000</b> | <b>Sole</b>    | <b>N</b>  | <b>NRTE</b> |
| Riverside County Redevelopment Agency, Tax Allocation Bonds (Jurupa Valley Project), Series 2001                                                                        | 04-Apr-01        | \$55,405,000       | Senior         | N         | AAA         |
| Riverside County Redevelopment Agency, Tax Allocation Revenue Escrowed Bonds (Jurupa Valley Project), Series 2001                                                       | 04-Apr-01        | \$34,620,000       | Senior         | N         | AAA         |
| Calexico Community Redevelopment Agency, Tax Allocation Revenue Bonds (Merged Central Business District & Residential Redevelopment Project) AMBAC Insured, Series 2000 | 17-Nov-00        | \$10,000,000       | Sole           | N         | AAA         |
| Menlo Park Community Development Agency, Tax Allocation Revenue Bonds (Las Pulgas Community Development Project) AMBAC Insured, Series 2000                             | 13-Oct-00        | \$44,000,000       | Sole           | N         | AAA         |
| Coalinga Redevelopment Agency, Tax Allocation Capital Appreciation Revenue Bonds (Coalinga Redevelopment Project) MBLA Insured, Series 2000                             | 07-Jun-00        | \$619,942          | Sole           | N         | AAA         |
| Coalinga Redevelopment Authority, Tax Allocation Current Interest Revenue Bonds, MBLA Insured, Series 2000                                                              | 07-Jun-00        | \$2,785,000        | Sole           | N         | AAA         |
| Stanislaus-Ceres Redevelopment Commission, Tax Allocation Revenue Bonds (Stanislaus-Ceres Redevelopment Project) Series 2000                                            | 05-May-00        | \$1,440,000        | Sole           | N         | NRTE        |
| Ripon Redevelopment Agency, Tax Allocation Revenue Bonds (Ripon Community Redevelopment Project), MBLA Insured, Series 2000                                             | 27-Apr-00        | \$11,415,000       | Sole           | N         | AAA         |
| Ceres Redevelopment Agency, Tax Allocation Refunding Bonds (Ceres Redevelopment Project Area No. 1) MBLA Insured, Series 2000                                           | 20-Apr-00        | \$8,755,000        | Sole           | N         | AAA         |
| Pittsburg Redevelopment Agency, Tax Allocation Capital Appreciation Revenue Bonds (Los Medanos Community Development Project) Series 1999                               | 04-Nov-99        | \$20,396,357       | Sole           | N         | AAA         |
| Pittsburg Redevelopment Agency, Tax Allocation Senior Lien Revenue Bonds, Series 1999                                                                                   | 04-Nov-99        | \$9,710,000        | Sole           | N         | AAA         |
| <b>Colton Redevelopment Agency, Tax Allocation Bonds (Mount Vernon Corridor Redevelopment Project) Series 1999</b>                                                      | <b>16-Sep-99</b> | <b>\$5,290,000</b> | <b>Fin Adv</b> | <b>N</b>  |             |
| <b>Colton Redevelopment Agency, Tax Allocation Bonds (West Valley Redevelopment Project) Series 1999</b>                                                                | <b>16-Sep-99</b> | <b>\$1,375,000</b> | <b>Fin Adv</b> | <b>N</b>  |             |

**LOCAL GOVERNMENT FINANCE GROUP  
STATEMENT OF QUALIFICATIONS**

| Full Description                                                                                                                              | Sale Date        | Issue Size          | Piper Role    | Deal Type | S & P ID    |
|-----------------------------------------------------------------------------------------------------------------------------------------------|------------------|---------------------|---------------|-----------|-------------|
| San Pablo Redevelopment Agency, California, Subordinate Tax Allocation Bonds (Tenth Township Redevelopment Project), Series 1999              | 10-Jun-99        | \$9,850,000         | Sole          | N         | NR          |
| Clayton Redevelopment Agency, California, Redevelopment Project Area Tax Allocation Revenue Bonds, Series 1999                                | 20-May-99        | \$7,460,000         | Sole          | N         | AAA         |
| Covina Redevelopment Agency, Multifamily Housing Revenue Refunding Bonds (Shadowhills Apartments Project), Series 1994A                       | 04-Dec-98        | \$12,825,000        | Sole          | N         |             |
| Manteca Financing Authority, California, Tax Allocation Revenue Bonds, Series 1998                                                            | 04-Nov-98        | \$9,675,000         | Sole          | N         | AAA         |
| <b>Colton Community Facilities District No. 89-2, California, Special Tax Refunding Bonds, Series 1998</b>                                    | <b>23-Jul-98</b> | <b>\$3,415,000</b>  | <b>Sole</b>   | <b>N</b>  | <b>NR</b>   |
| City of Colton Public Financing Authority Redevelopment Agency, California, Tax Allocation Refunding Revenue Bonds, MBLA Insured, Series 1998 | 02-Apr-98        | \$30,455,000        | Co-Mgr        | N         | AAA         |
| <b>Colton Public Finance Authority Redevelopment Agency, California, Tax Refunding Revenue Bonds, Series 1998</b>                             | <b>02-Apr-98</b> | <b>\$4,175,000</b>  | <b>Co-Mgr</b> | <b>N</b>  | <b>AAA</b>  |
| <b>Colton Public Finance Authority Redevelopment Agency, California, Taxable Refunding Revenue Bonds, Series 1998</b>                         | <b>02-Apr-98</b> | <b>\$11,115,000</b> | <b>Co-Mgr</b> | <b>N</b>  | <b>NRTE</b> |
| Brisbane Redevelopment Agency, California, Tax Allocation Bonds (Housing Set-Aside Revenues-Tower Site Senior Housing Project) Series 1998    | 04-Feb-98        | \$1,660,000         | Sole          | N         | NR          |
| Suisun City Redevelopment Agency, California, Tax Allocation Bonds, Series 1998 Current Interest Bonds                                        | 16-Jan-98        | \$7,955,000         | Sole          | N         | A-          |
| Suisun City Redevelopment Agency, California, Tax Allocation Revenue Capital Appreciation Bonds, Series 1998                                  | 16-Jan-98        | \$36,050,000        | Sole          | N         | A-          |



## City of Colton Redevelopment Agency


### M.L. Stern & Co., LLC Statement of Qualifications

July 24, 2007



M.L. Stern & Co., LLC  
8350 Wilshire Blvd.  
Beverly Hills, CA 90211

(323) 658-4400 or (800) 765-2200

A Subsidiary of PACIFIC LIFE 



---

## Introduction to M.L. Stern

---

Since 1966, M.L. Stern & Co., LLC has been a full service broker/dealer whose primary and founding focus has been municipal underwriting services. We are a wholly owned subsidiary of Pacific Life Insurance Company with total assets of over \$87 billion. We are headquartered in Beverly Hills with branch offices in San Diego, San Francisco, Sacramento, Carmel, Carlsbad and Henderson, NV.

M.L. Stern distributes approximately \$3 billion of municipal securities annually. Over the past 40 years, our sales staff has nurtured a high net worth clientele who understand the benefits of investing in a broad range of municipal bonds of all types and qualities. Our proprietary, extensive client base is now approaching 30,000; many are second and third generation investors in municipal bonds. Our familiarity with our client base enables us to target investors who are most interested in tax increment financings.

Our retail strength is well known in the industry, and top Wall Street and regional broker/dealers partner with us to access the retail market. In addition to our tremendous retail capabilities, we have close and long-standing relationships with the largest municipal bond funds and arbitrage funds in the business. Our institutional sales group trades regularly with more than 75 institutional accounts that are comprised of the biggest funds, the best of the rest, and proprietary funds. A partial list of institutional clients who we trade with on a regular basis include:

|                          |                         |                                   |
|--------------------------|-------------------------|-----------------------------------|
| American Century         | Family Management       | Palio Capital Management          |
| Banc of America          | Franklin Advisers       | PIMCO                             |
| Bear Stearns             | Goldman Sachs           | Prudential Financial              |
| Blackrock                | Grant Williams Advisors | Putnam                            |
| Boston Advisors          | Harvey Capital          | Sanford C. Bernstein              |
| Cadaret, Grant & Co.     | Janus Capital           | State Street                      |
| Capital Research         | J.P. Morgan             | T. Rowe Price                     |
| Citigroup                | Kayne Anderson          | The Rochester Funds               |
| Clark Capital Management | Loomis Sayles           | Trevor, Stewart Burton & Jacobsen |
| Dreyfus                  | Merrill Lynch           | USAA Investment Management Co.    |
| Eaton Vance              | Morgan Stanley          | Van Kampen                        |
| Essex Financial Services | Nuveen                  | Wells Fargo                       |

---

## Experience

---

We have decades of experience in structuring and selling tax allocation bonds. We distribute approximately \$3 billion in municipal debt annually; \$750 million of which is composed of tax increment debt. In the following examples, we highlight our tax increment financing capabilities.

### *Key Credit Rating Factors for Tax Increment Financing*



Tax increment revenue bonds benefit from several favorable structural elements compared to other types of debt. For example, no additional tax burden is created for taxpayers and tax collection rates are not a concern unless project area tax payments are concentrated with a few taxpayers. Undeveloped portions of project areas are viewed favorably, since revenues will increase to the extent new development occurs and property values grow.

The main credit risk of tax increment financing is that tax rates and the pace of private development lie outside the control of a redevelopment agency. The effect of a decline in a project area's assessed value is dependent on the relationship between its base and total assessed values. This is called the Tax Increment Volatility Ratio. Project areas with a large base valuation in relation to their total assessed value will have more volatile tax increment revenue streams. This is often the case with new project areas. Two project areas with the same assessed value can have unequal loss of tax increment revenues when losing the same amount of total assessed value. Taxpayer concentration is another credit risk, the higher the concentration the greater the risk to the bondholder.

#### *Maximizing Future Debt Capacity / Generating Maximum Bond Proceeds*

In 1997, Todd Smith worked with the Palm Desert Redevelopment Agency to restructure the 1992 Tax Allocation Refunding Bonds (Project Area No.1). Dutch Auction Floating Rate Securities were refunded with extended maturities for debt service savings and to level out aggregate debt service outstanding for Project Area No. 1, thereby providing maximum present and future bonding capacity for the Agency. The par amount of the issue was \$71,955,000. He also structured five years of new money escrow bonds into multiple tax allocation issues in multiple project areas. This allowed the agency to generate additional proceeds for projects that were secured by future projected tax increment revenues. He structured a special term bond with an extraordinary redemption provision if a public project sold and went to private use, the bonds could be called in at par and remarketed as taxable.

The Project Area's Tax Increment Volatility Ratio at the time of issuance was 0.29. The project area's top taxpayer concentration was not a concern for credit enhancers and rating agencies. The Project Area is rated "A" by S&P and the majority of their debt is insured by MBIA. He was able to negotiate an additional bonds test of 1.15x, down from 1.20x. The lower additional bonds test gave the Agency higher leveraging capabilities. The Agency realized that this would hinder their credit strength with the rating agencies but it was able to maintain an investment grade rating and have had most AAA insurers bidding on their bonds.

#### *Creative Structuring to Procure an Investment Grade Rating and Increase Debt Capacity*

In 2002, Mr. Smith project managed and structured the refunding the 1995 City of Cerritos Tax Allocation Bonds (Multiple Project Areas). He came up with a creative solution of a synthetic cross-collateralization of project area tax increment revenues to procure an S&P "BBB" stand-alone rating on the subordinate debt at a 1.10x debt service coverage ratio. This creative solution provided the following:



- ◆ **Lowered Cost of Borrowing** – the synthetic cross collateralization provided the required additional credit strength needed to get an investment grade rating from Standard & Poor's.
- ◆ **Increased Debt Capacity** – with an investment grade rating, the Redevelopment Agency was able to borrow an additional \$38 million and have a lower additional bonds test.

The bond sale resulted in better prices than comparable bonds sold that week. A large part of a this highly successful bond sale can be attributed to a well organized rating agency, credit enhancer and investor tour organized by Mr. Smith. The tour included a bus tour of the City and Project Areas hosted by the City Manager and ended with a steak and lobster lunch at the City's beautiful performing arts center. During lunch, presentations were given by the underwriter and the Redevelopment Agency on the bond issues and redevelopment projects underway.

The Tax Increment Volatility Ratio at the time of issuance was 0.052. Taxpayer concentration was "diluted" by cross collateralization, though one project area still had high taxpayer concentration, but this was mitigated through creative structuring. The Additional Bonds Test was set at 1.25x coverage on senior parity debt and 1.10x coverage on subordinate debt. Project area(s) underlying ratings are "A" for senior debt and "BBB" for the subordinate bonds.

#### *Selling Forward Refundings of Merged Project Areas*

In 2002 Mr. Smith completed \$107 million forward refunding and new money issue for the City of San Bernardino Redevelopment Agency's Merged Project Area.

The forward refunding consisted of two issues totaling \$76 million, with forward settlements of 2005 and 2006. Each of these merged areas had separate loan agreements and they were cross collateralized in the same fashion as the Cerritos transaction. In this case, San Bernardino opted for an upfront cash payment to the Agency that represented the capitalized savings in the refunding.

The Merged Project Area's Tax Increment Volatility Ratio at the time of issuance was 0.144. Taxpayer concentration was "diluted" by cross collateralization. The use of cross collateralization bolstered the weaker credit individual project areas. The Additional Bonds Test was closed for senior parity debt and was set at 1.25x coverage on subordinate debt. The Project Area's underlying ratings are "A-" for senior debt.

#### *Selling Tough Credits*

In November 2005, M.L. Stern completed tax increment financings (tax-exempt and taxable series) for the Redevelopment Agency of the City of Firebaugh (Fresno County). There was a single taxpayer, in this case agricultural/industrial, responsible for an overwhelming portion (54%) of one redevelopment area's taxable value. We worked with the Firebaugh RDA and the owner to ascertain the owner's long-term interest, the stability of its business model and its





connections and commitment to the City of Firebaugh and the surrounding area. With the owner's input, we were able to put together disclosure that alleviated investor worries about tax increment concentration and ultimately led to lower financing costs for the Firebaugh RDA. With the proceeds of the tax increment financing, the Firebaugh RDA will be able to invest in its redevelopment area, eliminate blight and recombine inappropriately zoned and sized parcels, for the ultimate goals of growth in assessed value and tax base diversification.

Our professionals have senior managed tax increment underwritings for:

|                                       |                                                 |
|---------------------------------------|-------------------------------------------------|
| Big Bear Lake Improvement Agency      | King Community Development Agency               |
| Blythe Redevelopment Agency           | Merced Redevelopment Agency                     |
| Calipatria Redevelopment Agency       | Orange Cove Redevelopment Agency                |
| Carson Redevelopment Agency           | Palm Desert Financing Authority                 |
| Cerritos Public Financing Authority   | Riverbank Public Financing Authority            |
| Coachella Redevelopment Agency        | San Bernardino Joint Powers Financing Authority |
| Delano Community Redevelopment Agency | San Marcos Redevelopment Agency                 |
| El Monte Public Financing Authority   | Southern California Logistics Airport Authority |
| Firebaugh Redevelopment Agency        | Tehachapi Redevelopment Agency                  |
| Gonzales Redevelopment Agency         | Victorville Redevelopment Agency                |
| Greenfield Redevelopment Agency       | Yucaipa Redevelopment Agency                    |

---

### **Our Public Finance Staff**

---

#### **Todd Smith**

Mr. Smith has been involved in the underwriting of over \$2.5 billion in Public Finance transactions since 1996, with a majority of that experience in tax increment debt. Mr. Smith has structured tax allocation bonds for seventeen different Redevelopment Agencies in California. This includes established RDAs for the City of Palm Desert, the City of Cerritos, the City of El Monte, the City of Coachella, and the City of Delano. He structured RDA bond anticipation notes for the City of Gonzales, the City of Greenfield and the Southern California Logistics Airport Authority. He has implemented many well known redevelopment tools such as new money escrows to allow agencies to borrow projects funds secured against revenues that were projected to be realized over a period of five years. He has implemented a synthetic cross collateralization of project area revenues that provided redevelopment agencies the ability to get bond issues rated or credit enhanced. This structure significantly increased the project fund proceeds by borrowing at the much lower rates due to the procurement of investment grade ratings and credit enhancement.

Mr. Smith can be reached by phone at (760) 602-1265 (Office) or (760) 579-2520 (Cell), or by email at [SmithT@mlstern.com](mailto:SmithT@mlstern.com).

#### **Samir Dube**

Mr. Dube is the co-head of the Public Finance department of M.L. Stern and has been in the public finance industry for a decade. In his first seven years, sixty-five percent of underwriters,



**M.L. Stern & Co., LLC**  
**Statement of Qualifications**

---

financial advisors nationally and top fifty issuers (including the States of California, Michigan, & Washington, New York State Dormitory Authority, New York State Environmental Facilities Corporation, Bonneville Power Authority, City of Sacramento, and the Los Angeles Metropolitan Transportation Authority) used his consulting services and software to size and structure municipal bond transactions over \$60 billion. Mr. Dube has seen over 1,000 transactions nationally in sizes ranging from \$2 million to over \$4 billion. He applies this knowledge to create transactions for the benefit of an issuer where others believe it is not possible.

Mr. Dube can be reached by phone at (760) 602-1200 (Office) or (760) 310-3868 (Cell), or by email at [DubeS@mlstern.com](mailto:DubeS@mlstern.com).

*Statement of Qualifications for the*



**Redevelopment Agency  
of the City of Colton**

July 26, 2007



**DE LA ROSA & CO.**

**I N V E S T M E N T   B A N K E R S**

101 Montgomery Street, Suite 2150

San Francisco, CA 94104

Tel. (415) 495-8863, Fax (415) 495-8864



**DE LA ROSA & Co.**  
INVESTMENT BANKERS

July 26, 2007

Mr. Dilu de Alwis  
Finance Director  
City of Colton  
650 North La Cadena Drive  
Colton, CA 92324

Dear Mr. de Alwis:

On behalf of De La Rosa & Co., I am very pleased to submit our statement of qualifications to the Redevelopment Agency of the City of Colton to serve as a co-manager on the Agency's upcoming tax allocation bond financing. As we have recently worked with the City on another financing we present here a brief statement of qualifications focused specifically on redevelopment finance. We are confident that De La Rosa's financial and human resources and our extensive experience working with cities like Colton make our firm uniquely qualified to best serve the Agency as an integral member of its financing team. A summary of our credentials to serve in this capacity can be summarized as follows:

- **Local Government Financial Expertise.** De La Rosa is a leading underwriter for local governments in California, and we consistently rank among the top firms in number and par amount of city financings. Furthermore, De La Rosa prides itself on providing the highest level of service to each of its clients regardless of size. In fact, many of our best clients are small, growing communities and first time issuers.
- **Strong Redevelopment Finance Experience.** De La Rosa has a strong history of underwriting tax allocation bonds for California communities. In addition, the professionals that would be assigned to the project bring a tremendous amount of personal experience in redevelopment finance at De La Rosa and previous firms. Our proposed financing team is currently or has recently worked with the redevelopment agencies of Arroyo Grande, Azusa, Banning, Cloverdale, Greenfield, Highland, Imperial, Lancaster, Pittsburg, Redlands, Ripon, Riverbank, and Winters.
- **Commitment of Time and Resources.** De La Rosa pledges its full resources to bring the services needed to secure the best financing strategy and the best execution to meet the Agency's goals. Time and again, our experience has shown that by listening to our clients and really understanding their near-term, as well as their longer term goals and objectives, we are better able to tailor the proper plan and better execute that plan.

Again, we greatly value this opportunity to present our qualifications. We look forward to the opportunity to assist the Agency with any future financing and would be honored if you would consider us as a resource for any finance related questions that you might have.

Sincerely,

Ralph Holmes  
Principal

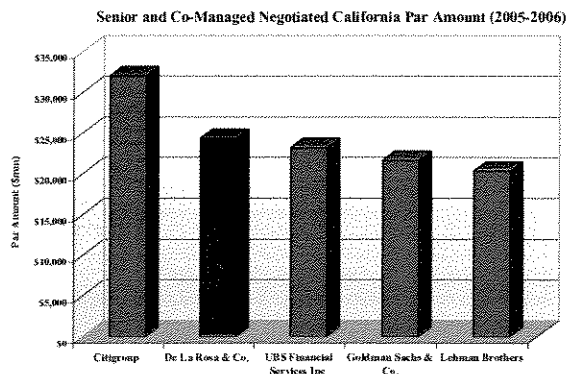
## I. FIRM BACKGROUND AND QUALIFICATIONS

Established in 1989, De La Rosa & Co. is an investment banking firm and NASD-registered broker-dealer that has full service offices in San Francisco and Los Angeles. The principals of the firm have been in the business many decades and have grown the firm into an important player in the California market. Public finance is the only business of De La Rosa. Virtually all of the \$170 billion of financings we've completed have been for cities, counties, school districts, special districts, redevelopment agencies, housing authorities, and other state and local agencies in California. We have structured and sold all types of financings including certificates of participation, lease revenue bonds, pension obligation bonds, general obligation bonds, tax allocation bonds, utility revenue bonds, housing revenue bonds, land-secured bonds, notes and others.

### One of Most Active Underwriters in California:

Over the last two years, De La Rosa was ranked as the second leading California municipal bond underwriter by *Thomson Financial* as **the firm participated in over 167 issues with an aggregate par amount exceeding \$24 billion**. Since 2002, we have underwritten 364 financings, totaling over \$75 billion of long-term California municipal bonds.

Our recognized leadership in the California market ensures that our clients will have access to the broadest spectrum of investors for its bond issues, which will result in the lowest cost of borrowing.



**California Commitment & Resources:** Our commitment of resources dedicated to serving California municipal issuers often exceeds that of our national and regional competitors, as indicated in the table below. Further, our commitment to California is best evidenced by our continued expansion: staffing increased more than two-fold in the past six years to better serve the needs of our growing client base. **De La Rosa has continued its strong growth in both the volume of transactions we underwrite and the number of quality professionals we employ in California.** De La Rosa currently has 36 full-time employees solely focused on serving California issuers.

|                                                                        | De La Rosa  | Stone & Youngberg | Piper Jaffray | Wedbush Morgan | RBC         | Kinsell      |
|------------------------------------------------------------------------|-------------|-------------------|---------------|----------------|-------------|--------------|
| Headquartered                                                          | Los Angeles | San Francisco     | Minneapolis   | Los Angeles    | Minneapolis | Solana Beach |
| California Offices                                                     | LA, SF      | SF, LA, SD        | HB, SAC, SF   | LA, SB, SF     | LA, SF      | SB/SA        |
| CA-based Bankers                                                       | 15          | 24                | 15            | 5              | 11          | 10           |
| Underwriting Desk<br>(CA muni bond deals)                              | Los Angeles | San Francisco     | Minneapolis   | Los Angeles    | Minneapolis | Solana Beach |
| CA-based S&T personnel                                                 | 10          | 12                | 3             | 7              | 1           | 2            |
| CA Muni Bond Underwriting<br>Volume (full credit to ca) <sup>(1)</sup> |             |                   |               |                |             |              |
| 2006                                                                   | \$7.6 bil   | \$8.9 bil         | \$1.8 bil     | (2)            | \$2.9 bil   | \$0.8 bil    |
| 2005                                                                   | \$16.7 bil  | \$9.8 bil         | (2)           | (2)            | \$2.9 bil   | (2)          |
| 2004                                                                   | \$18.3 bil  | \$16.4 bil        | (2)           | (2)            | \$12.8 bil  | (2)          |

Source: Bond Buyer's Municipal Marketplace (The "Redbook"), Fall 2006

(1) Securities Data Corporation

(2) Firm is not ranked in the top 25 (par amount unavailable)



**Redevelopment Finance Experience:** De La Rosa distinguishes itself from other investment banks by being one of the most active underwriters of tax allocation bonds in California. Since 2005, De La Rosa has senior-managed or co-senior managed 33 redevelopment financings for a total of over \$1.0 billion. **During that period, we have underwritten TAB financings for some of the largest and most complex redevelopment agencies in the State, including Oakland, San Francisco, Los Angeles, Long Beach, as well as much smaller agencies such as Cloverdale, Riverbank, Greenfield, and Healdsburg. Please refer to the following chart for a detailed list of our senior managed TAB financings since 2005.**

**De La Rosa's Senior and Co-Senior California TAB Financings  
January 1, 2005 - Present**

| Name of Issuer     | Issue (Project)                                                                                                                                      | Par         | Sale Date  | Role              |
|--------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|------------|-------------------|
| Azusa RDA          | Amended and Restated Amerged Central Business District and West End Redevelopment Project Area Tax Allocation Bonds 2007 Series B                    | 4,790,000   | 7/18/2007  | Sole Manager      |
| Azusa RDA          | Amended and Restated Amerged Central Business District and West End Redevelopment Project Area Taxable Tax Allocation Bonds 2007 Series A            | 15,780,000  | 7/18/2007  | Sole Manager      |
| El Monte PFA       | Senior Tax Allocation Revenue Bonds Series 2007                                                                                                      | 26,875,000  | 6/22/2007  | Sole Manager      |
| El Monte PFA       | Subordinate Tax Allocation Revenue Bonds Series 2007                                                                                                 | 3,215,000   | 6/22/2007  | Sole Manager      |
| Highland RDA       | Tax Allocation Bonds Series 2007                                                                                                                     | 42,645,000  | 6/14/2007  | Sole Manager      |
| Winters CDA        | Tax Allocation Bonds, Series 2007                                                                                                                    | 11,470,000  | 6/1/2007   | Sole Manager      |
| Arroyo Grande RDA  | Arroyo Grande Redevelopment Project Area 2007 Tax Allocation Bonds (Federally Taxable)                                                               | 6,285,000   | 5/8/2007   | Sole Manager      |
| Ripon RDA          | Tax Allocation Refunding Bonds, Issue of 2007                                                                                                        | 20,395,000  | 5/24/2007  | Sole Manager      |
| Banning CDA        | Tax Allocation Parity Bonds, Series 2007 (Merged Downtown and Midway Redevelopment Project)                                                          | 29,965,000  | 5/16/2007  | Sole Manager      |
| Riverbank RDA      | Riverbank Reinvestment Project Tax Allocation Housing Set-Aside Bonds (2007 Series B)                                                                | 3,120,000   | 2/6/2007   | Sole Manager      |
| Riverbank RDA      | Riverbank Reinvestment Project Tax Allocation Bonds (2007 Series A)                                                                                  | 12,315,000  | 2/6/2007   | Sole Manager      |
| Pittsburg RDA      | Los Medanos Community Development Project Subordinate Tax Allocation Bonds Series 2006 A                                                             | 75,300,000  | 12/12/2006 | Sole Manager      |
| San Fernando RDA   | 2006 Tax Allocation Bonds                                                                                                                            | 11,490,000  | 12/7/2006  | Senior Manager    |
| Pittsburg RDA      | Los Medanos Community Development Project Housing Set Aside Tax Allocation Bonds Series 2006 C                                                       | 46,660,000  | 11/28/2006 | Senior Manager    |
| Pittsburg RDA      | Los Medanos Community Development Project Subordinate Tax Allocation Bonds Series 2006 C                                                             | 36,840,000  | 11/28/2006 | Senior Manager    |
| Pittsburg RDA      | Los Medanos Community Development Project Housing Set Aside Tax Allocation Bonds (TAXABLE) Series 2006 A                                             | 11,020,000  | 11/28/2006 | Senior Manager    |
| Greenfield RDA     | Tax Allocation Bonds Series 2006                                                                                                                     | 29,810,000  | 11/16/2006 | Sole Manager      |
| Lancaster RDA      | Tax Allocation Bonds School District Projects Series 2006                                                                                            | 13,655,000  | 11/8/2006  | Sole Manager      |
| Cloverdale RDA     | Tax Allocation Refunding Bonds, Series 2006 (Cloverdale Redevelopment Project)                                                                       | 21,465,000  | 8/3/2006   | Sole Manager      |
| Chula Vista RDA    | Bayfront/Town Centre Redevelopment Project 2006 Senior Tax Allocation Refunding Bonds, Series A                                                      | 13,435,000  | 7/18/2006  | Sole Manager      |
| Chula Vista RDA    | Bayfront/Town Centre Redevelopment Project 2006 Senior Tax Allocation Refunding Bonds, Series B                                                      | 12,325,000  | 7/18/2006  | Sole Manager      |
| Los Angeles CRA    | Community Redevelopment Financing Authority of the Community Redevelopment Agency of the city of Los Angeles Pooled Financing Bonds, Series M        | 34,500,000  | 6/15/2006  | Senior Manager    |
| Imperial RDA       | City of Imperial Redevelopment Project Subordinate Tax Allocation Notes, Issue of 2006                                                               | 10,750,000  | 6/13/2006  | Senior Manager    |
| San Diego RDA      | Centre City Redevelopment Project Series 2006A Subordinate Tax Allocation Bonds Series 2006A and Tax Allocation Housing Bonds Series 2006B (Taxable) | 109,985,000 | 6/7/2006   | Co-Senior Manager |
| Oakland RDA        | Subordinated Housing Set Aside Revenue Bonds, Series 2006A-T                                                                                         | 82,645,000  | 3/22/2006  | Senior Manager    |
| Oakland RDA        | Subordinated Housing Set Aside Refunding Revenue, Series 2006A                                                                                       | 2,195,000   | 3/22/2006  | Senior Manager    |
| Long Beach PFA     | Tax Allocation Revenue Bonds (Downtown & NorthLong Beach Industrial Redevelopment Project Areas), Series 2005 C                                      | 35,045,000  | 1/9/2006   | Senior Manager    |
| Norwalk RDA        | Tax Allocation Bonds, 2005 Series A & B                                                                                                              | 34,815,000  | 11/8/2005  | Senior Manager    |
| East Palo Alto PFA | Revenue Bonds, 2005 Series A (University Circle- Gateway/101 Corridor Merged Redevelopment Project Areas)                                            | 17,995,000  | 8/4/2005   | Senior Manager    |
| Long Beach PFA     | Taxable Revenue Bonds (Redevelopment, Housing and Gas Utility Financings) 2005 Ser B                                                                 | 114,985,000 | 2/7/2005   | Senior Manager    |
| Long Beach PFA     | Revenue Bonds (Redevelopment, Housing and Gas Utility Financings) 2005 Ser A (consisting of Ser A-1 (CIBs) and Ser A-2 (CABs))                       | 77,447,306  | 2/7/2005   | Senior Manager    |
| Oakland RDA        | Central District Redevelopment Project Subordinated Tax Allocation Bonds Series 2005                                                                 | 44,360,000  | 1/24/2005  | Co-Senior Manager |
| Union City CRA     | City of Union City Community Redevelopment Project, Tax Allocation Bonds, Series 2005                                                                | 31,725,000  | 1/13/2005  | Senior Manager    |

Total # of Financings:

33

Total Par Amount:

\$ 1,045,302,306

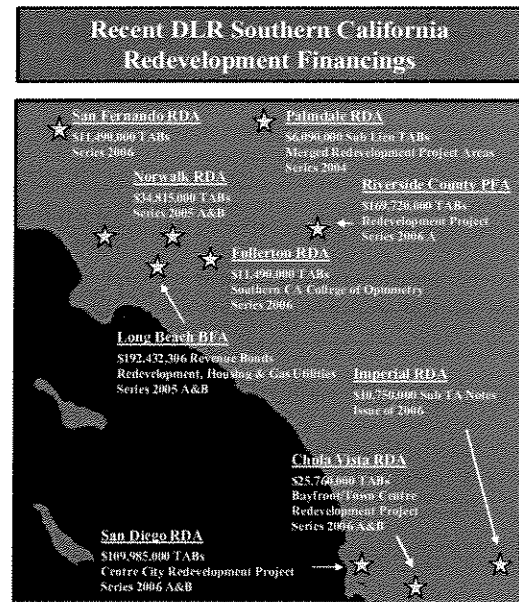
**Focus on California Cities:** As the only major firm focused *exclusively* on the California public finance market, De La Rosa has served as an underwriter for hundreds of California cities and redevelopment agencies. We have completed financings ranging from \$600,000 to almost \$450 million for a multitude of projects including development projects, libraries, city hall renovations, parking garages, water & wastewater facilities, transportation projects, parks, schools, police & fire stations and many others.



**DE LA ROSA & CO.**  
INVESTMENT BANKERS

**Case Study: \$25,760,000 Redevelopment Agency of the City of Chula Vista, Bayfront/ Town Centre Redevelopment Project, 2006 Senior Tax Allocation Refunding Bonds, Series A and 2006 Subordinate Tax Allocation Refunding Bonds, Series B**

De la Rosa served the City of Chula Vista as senior manager on its 2006 Series A and B tax allocation refunding bonds. The transaction refunded the ACA insured (rated "A") 1993 Series A and C and the non-rated 1993 D bonds. During the rating and insurance process, De La Rosa was able to demonstrate that the past and projected assessed valuation growth in the Bayfront/Towne Centre Project area offset the highly concentrated tax base. In fact, De La Rosa assisted the City obtain a BBB+ underlying rating from Standard and Poor's on 2006 Series A bonds. Moreover, we were able to secure an insurance commitment by Ambac ("AAA") to replace the current ACA ("A") insurance. By obtaining a bond insurance commitment from Ambac at a very economic level, the Series A bonds were able to be sold with an All-In TIC of 4.96%, which produced a net present value savings of \$2.3 million, or **18% savings as a percentage of the refunded bonds**.



Due to the highly concentrated tax base within the project area, the Series B bonds were issued as non-rated bonds. Despite this, De La Rosa achieved an all-in true interest cost on the Series B bonds of 5.44%, and net present value savings of \$2.4 million, or **20% NPV savings**.

**In structuring the 2006 Series A and B bonds, our bankers and lead underwriter worked together to determine the feasibility of a six-year call on the bonds because of the projected amount of growth in the area.** Ultimately, after communicating this idea to investors, we were able to price the bonds without a significant penalty due to the short call period.

**Case Study: \$29,810,000 Greenfield Redevelopment Agency Tax Allocation Bonds, Series 2006**

In December 2006, De La Rosa served as sole manager for the Greenfield Redevelopment Agency's \$29.8 million tax allocation financing. The financing contained multiple components, including the restructuring of its Series 2005 Notes, a partial refunding of its Series 2002 Bonds, and the generation of \$11.8 million of new money proceeds. The Bonds were rated 'A-' by Standard & Poor's, which was an amazing two-notch upgrade in just a little over a year. The Agency's Series 2002 Bonds were originally issued uninsured. After some level of growth in the Project Area, the finance team was able to secure a 'BBB-' rating from S&P, which was then upgraded to 'BBB' in 2005. The 'A-' rating is a very strong rating for a redevelopment project area, particularly one as young as that of Greenfield, and it helped the Agency save approximately \$200,000 in bond insurance costs.

At De La Rosa's urging, the Agency went to market a week earlier than originally scheduled in order to take advantage of a light issuance calendar. Even with the light competition, our sales force was able to secure interest rates that were several basis points lower than the comparable transactions in the market, even those with higher underlying ratings. The aggressive rates were due in part to a substantial underwriting effort by De La Rosa, as we took down an unsold balance of over \$16 million, or 55% of the total issue.



## II. PROPOSED BANKING TEAM

De La Rosa's proposed banking team has extensive experience structuring and underwriting redevelopment financings across the State. If given the privilege to work with the Agency, *Ralph Holmes, Principal*, would spearhead our Firm's efforts and be the day-to-day contact to the Agency. In his 10 year public finance career, Ralph has completed over 60 redevelopment financings.

Providing quantitative support on the proposed transaction will be *Guillermo Garcia, Associate*. Guillermo recently joined De La Rosa in 2006 after two years at a California-based financial advisory firm. Guillermo has worked with the redevelopment agencies of various cities, including Riverbank, Arroyo Grande, Oakland, Vacaville, Cloverdale, and Lompoc.

The firm's underwriting, sales and trading efforts will be led by *Benjamin Stern, Principal*, who leads the firm's underwriting and manages the firm's sale and trading group.

**Ralph Holmes, Principal**  
101 Montgomery Street, Suite 2150  
San Francisco, CA 94014

**Lead Banker**  
Tel: (415) 495-8863 • Fax: (415) 495-8864  
[rholmes@ejdelarosa.com](mailto:rholmes@ejdelarosa.com)



Ralph Holmes joined the firm in 2006 bringing 10 years of public finance experience working with small and medium sized cities and special districts. He specializes in redevelopment, utility financings, lease financings and land secured financings—the principal tools utilized by California cities to finance infrastructure. Ralph has served as the primary banker on over 60 redevelopment financings for a par amount of well in excess of \$1.0 billion. Additionally, he has worked on multiple synthetic fixed rate financings, bringing Wall Street ideas to local issuers. He has worked on financings for the cities of Lancaster, Pittsburg, Galt, Ceres, Pinole, Highland, Imperial and Claremont among others.

Ralph received an MBA from Thunderbird, the Garvin School of International Management and a BA from the University of California, Los Angeles. He holds the Series 7, 53 and 63 licenses.

**Guillermo Garcia, Associate**  
101 Montgomery Street, Suite 2150  
San Francisco, CA 94014

**Support Banker**  
(415) 495-8863 tel • (415) 495-8864 fax  
[ggarcia@ejdelarosa.com](mailto:ggarcia@ejdelarosa.com)



Guillermo Garcia provides banking support in De La Rosa's San Francisco office for California cities, redevelopment agencies, and special districts. He performs financial modeling, credit analysis, and transaction management for tax allocation, special tax, assessment, revenue, and lease revenue bond transactions. He joined De La Rosa in 2006 after two years at a California-based financial advisory firm.

Guillermo has worked with the redevelopment agencies of various cities, including Highland, Banning, Ripon, Winters, Azusa, Lancaster, Oakland, Greenfield and Cloverdale.

Guillermo received an MBA, Master's, and Bachelor's degrees from Stanford University. He also holds the Series 52 and Series 63 licenses.





Benjamin E. Stern, Principal  
10866 Wilshire Blvd., Suite 1650  
Los Angeles, CA 90024

Head of Sales & Trading, Lead Underwriter  
(310) 207-1975 tel • (310) 207-1995 fax  
bstern@ejdelarosa.com



Ben Stern heads De La Rosa's underwriting and sales and trading operations. In this capacity, Ben directs the pricing and marketing of all municipal issues underwritten by De La Rosa. Since joining the firm in 1990, he has participated as an underwriter on more than \$170 billion of municipal financings. Under Ben's leadership, the firm's sales force has developed a strong trading practice with institutions, bank trust departments, investment counselors and high net-worth retail investors.

Ben will assist the Agency in aggressively pricing its future transactions, as his desk covers a substantial number of second and third tier investors and California-based middle market accounts (i.e. trust departments, high net worth retail individuals) that many other large firms do not.

Ben received an MBA with a concentration in finance and real estate from the Anderson Graduate School of Management at the University of California, Los Angeles. His professional registrations include a General Securities Registered Representative (Series 7), General Securities Principal (Series 24), Municipal Securities Principal (Series 53) and Equity Trader/Limited Representative (Series 55).

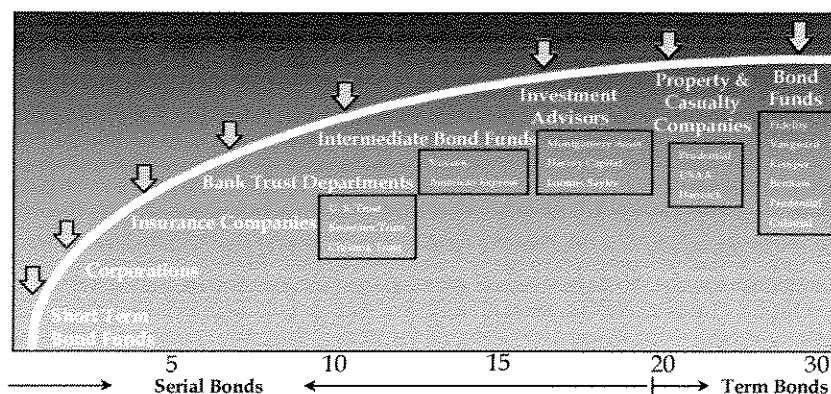
**De La Rosa's underwriting desk has an unparalleled ability to market and sell tax allocation bonds, as evidenced by our number two ranking among all other California tax allocation underwriters. Our ability to consistently identify and engage the most active buyers in the marketplace during our bond sales allows us to create strong demand for our clients' bond offerings.**

### III. MARKETING & DISTRIBUTION CAPABILITIES

**Marketing & Distribution Capabilities:** De La Rosa maintains an underwriting desk in Los Angeles to underwrite, sell and trade California municipal bonds. Given the volume of transactions De La Rosa underwrites, our salespeople attract a wide scope of investors who have an interest in seeing our offerings. Not only do we cover the major institutions, as do the larger Wall Street firms, we also sell bonds to investment advisors, bank trust departments, and high net worth individuals who seek blocks of bonds in the earlier maturities.

With our nine-person sales force, De La Rosa actively covers approximately 350 accounts that purchase California municipal bonds. Of these accounts, De La Rosa covers about 100 non-institutional municipal accounts, including direct retail and retail intermediary accounts. With a network of more than 250 institutional investors, and a substantial retail presence, De La Rosa is able to consistently take advantage of the yield curve for our clients, producing a significant pricing advantage.

**Our Marketing Approach:** Our marketing approach would involve the following steps which focus on the likely buyers of the Agency's bonds. Our singular focus on the California bond market will enable us



to employ our nine person sales staff for the benefit any Agency bond sale. Our integrated organizational structure described above benefits our clients' bond sales by having our project bankers organize investor site tours/meetings (as needed) and be available to address specific credit concerns raised by both institutional and retail buyers.

**A. Garner Strong Retail Interest:** Overall, we would recommend and encourage the Agency to evaluate the use of a retail order period for its tax allocation bonds to take advantage of individual investor demand for its bonds. In today's market, retail investors often accept yields that range between 5 and 15 bps lower than the yields that institutions demand for the same maturities. Hence, the larger we can build the retail book, the greater will be the Agency's influence over institutional investors to accept a lower yield.

**Retail vs. Institutional Placement:** The amount of the issue sold to retail vs. institutional investors strongly depends on the market environment at the time of the bond sale: 1) current market environment; 2) cash position of the different classes of investors; 3) maturity structure of the bonds; and the 4) tax status of the bonds, are the main factors that will dictate whether retail or institutional investors will provide the lowest bid for the bonds.

**B. Target Middle Market Buyers:** De La Rosa has differentiated itself from many firms in the municipal bond industry by covering a substantial number of second and third-tier retail and institutional buyers in addition to the major bond funds. These second and third tier buyers include quasi-retail investors such as professional money managers, bank trust departments, retail-oriented unit investment trusts as well as smaller mutual funds, property and casualty insurers and life insurance companies. These investors are often not well covered by other larger firms, but if they approve a credit, can put in orders for up to several million dollars. By targeting this segment of the investor universe, we will be able to tap additional pockets of demand for any Agency bond issuance.

| Selected DLR Middle Market & Retail Accounts Covered |                                                                                                                                                                                                                  |
|------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Bank Trust Depts:                                    | Bank of America, Wells Fargo, Washington Mutual, Citibank, Bank of NY, Highmark Capital Management, Fiduciary Trust, US Trust, First Union, California Trust, Northern Trust, Bessemer Trust, City National Bank |
| Private Money Managers/Investment Counselors:        | Thornburg Investment, McDonnell Investment, Kayne Anderson, GMG Seneca, Dodge & Cox, Payden & Rygel, Boston Company, Banc One Investment Advisors                                                                |

| Top Buyers of California<br>Tax Allocation Bonds |                                        |
|--------------------------------------------------|----------------------------------------|
| 1.                                               | FRANKLIN ADVISERS, INC.                |
| 2.                                               | ALLSTATE INVESTMENTS LLC               |
| 3.                                               | NUVEEN ASSET MANAGEMENT                |
| 4.                                               | SAFECO INVESTMENT                      |
| 5.                                               | VAN KAMPEN FUNDS (IL)                  |
| 6.                                               | MERRILL LYNCH INVESTMENT MANAGERS (NJ) |
| 7.                                               | VANGUARD GROUP, INC.                   |
| 8.                                               | DREYFUS CORPORATION                    |
| 9.                                               | WELLS CAPITAL MANAGEMENT               |
| 10.                                              | PUTNAM INVESTMENT MANAGEMENT, L.L.C.   |
| 11.                                              | AMERICAN CENTURY INVESTMENT MGMT.      |
| 12.                                              | ALLIANCE CAPITAL MANAGEMENT L.P.       |
| 13.                                              | CALVERT ASSET MANAGEMENT COMPANY, INC. |
| 14.                                              | PACIFIC INVESTMENT MANAGEMENT          |
| 15.                                              | MORGAN STANLEY INVESTMENT MANAGEMENT   |
| 16.                                              | TEACHERS INSURANCE & ANNUITY           |
| 17.                                              | WESTERN ASSET MANAGEMENT CO.           |
| 18.                                              | 40/86 ADVISORS, INC.                   |
| 19.                                              | CNA INSURANCE COMPANIES                |
| 20.                                              | USAA INVESTMENT MANAGEMENT COMPANY     |
| 21.                                              | DEUTSCHE INVESTMENT MANAGEMENT         |
| 22.                                              | COLUMBIA MANAGEMENT ADVISORS, INC.     |
| 23.                                              | FIDELITY MANAGEMENT & RESEARCH         |
| 24.                                              | HARTFORD INVESTMENT MANAGEMENT         |
| 25.                                              | WESTERN STATES GRP                     |

**C. Target Institutional Investors:** A successful marketing plan will need to focus on expanding the Agency's access to institutional investors. With seven institutional sales people dedicated to selling the Agency's bonds, De La Rosa actively covers the large municipal bond funds (e.g. Putnam, Fidelity, Dreyfus, Vanguard, etc.) that are most active buyers of primary market municipal issues. The chart to the left represents the top 25 institutional buyers of California TABs. **Our established relationship with these top tax allocation bond buyers enables our firm to capitalize on market appetite for our clients' bonds and deliver the lowest interest rates possible.** The chart below indicates buyers who purchased TABs from four recent deals.

| Buyers                           | Recent Issues Sold to Investors |              |              |         |
|----------------------------------|---------------------------------|--------------|--------------|---------|
|                                  | Long Rich TABs                  | Pennara TABs | Burbank TABs | SF TABs |
| 2. ALLSTATE INVESTMENTS LLC      | X                               |              |              | X       |
| 3. NUVEEN ASSET MANAGEMENT       | X                               |              | X            |         |
| 4. SAFECO INVESTMENT             |                                 |              |              | X       |
| 6. MERRILL LYNCH INVESTMENT      | X                               | X            | X            |         |
| 9. WELLS CAPITAL MANAGEMENT      |                                 | X            | X            |         |
| 10. PUTNAM INVESTMENT MANAGEMENT |                                 |              |              | X       |
| 12. ALLIANCE CAPITAL MANAGEMENT  | X                               |              | X            |         |
| 13. CALVERT ASSET MANAGEMENT     | X                               |              |              |         |
| 16. TEACHERS INSURANCE & ANNUITY | X                               |              |              |         |
| 18. 40/86 ADVISORS, INC.         | X                               |              |              |         |
| 22. COLUMBIA MANAGEMENT ADVISORS | X                               |              |              |         |
| 25. WESTERN STATES GRP           | X                               |              |              |         |



#### IV. CLIENT REFERENCES

**Client References:** Listed below are selected client references of the specific professionals that would be assigned to any Agency project. We at De La Rosa pride ourselves on always working diligently and in close cooperation with our clients' staff and their assembled professional teams to provide advice and services that are based upon a comprehensive, multi-disciplinary view. By that, it is always our intent to add value by keeping the client's long-term objectives in mind. Further, it is important that each and every decision and its potential outcomes must be measured in terms of not only the financial dimension, but, just as importantly, a potential operational and political impact/benefit.

The professionals that would be assigned to work with the Agency have not only completed multiple financings for many of the below referenced public agencies, but, in fact, have also been privileged to serve them as trusted advisors on a wide variety of issues that they have faced. In short, we are very proud of the work that we have undertaken on behalf of these and other clients and we urge you to contact them at your convenience.

| REFERENCES                                                                                                                            |                                                                                                                                |                                                                                                                         |
|---------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|
| <b>Chuck Dantuono</b><br>Finance Director<br>City of Highland<br>27215 E. Base Line Street<br>Highland, CA 92346<br>Tel: 909-864-8732 | <b>Inez Kiriu</b><br>Finance Director<br>City of Galt<br>380 Civic Drive<br>Galt, CA 95632<br>Tel: 209-366-7150                | <b>Marc Grisham</b><br>City Manager<br>City of Pittsburg<br>65 Civic Avenue<br>Pittsburg, CA 94565<br>Tel: 925-252-4850 |
| <b>Richard Loomis</b><br>Finance Director<br>City of Pinole<br>2131 Pear Street<br>Pinole, CA 94564<br>Tel: 510-724-9009              | <b>Bill Aylward</b><br>Finance Director<br>City of Adelanto<br>11600 Air Expressway<br>Adelanto, CA 92301<br>Tel: 760-246-2300 |                                                                                                                         |

